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ABSTRACT

The volume is one of four containing lesson plans covering a wide range of business subjects incorporated in a course for American Indians to prepare them for jobs as owners/managers of their own businesses and for management positions with businesses owned by bonds, cooperatives, and others. Lessons are drawn from different subject areas and arranged serially. (For instructions on use of the lesson plans in this volume, see Volume I, CE 000 351. For additional lesson plans, see Volume III, CE 000 353, and Volume IV, CE 000 355.) (AG)

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CE 000 352

SMALL BUSINESS MANAGEMENT
INSTRUCTOR'S MANUAL

Training Research And Development Station
Department Of Manpower And Immigration

VOLUME TWO

ED 082053

SMALL BUSINESS MANAGEMENT

INSTRUCTOR'S MANUAL

VOLUME II

THIRD EDITION

JOSEPH A. JEANNEAU

WITH THE COLLABORATION OF

DENNIS ANDERSON
DOUGLAS MURRAY
WILLIAM LOGAN

TRAINING RESEARCH AND DEVELOPMENT STATION
DEPARTMENT OF MANPOWER AND IMMIGRATION

PRINCE ALBERT, SASKATCHEWAN

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BC5	Conducting Business Meetings	3	
OP3	Handling Mail	1½	
MP7	The Planning Function	3	
PROD1	Introduction to Production	3 - 4	
MKT1	Introduction to Marketing	2½	
MKT2	What Is a Market?	3	
MKT3	Sizing Up a Market Opportunity	5	
BL1	Introduction to Business Law	2	
BL2	Introduction to Different Forms of Business Organization	1½	
BL3	Proprietorships & Partnerships	1½	
BL4	Limited Companies & Co-operatives	2	
BL5	Legal Steps Required in Setting Up Each Form of Business Organization	2½	
MKT4	The Right Product & Right Service	2	
PROD2	What Product Should You Produce?	2½	
PROD3	Plant Location	2	
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PM2	What Is Personnel Management?	3	
PM3	Different Types of Leaders	3½	
PM4	Morale in Your Business	1½	
PM5	Establishing the Need for New Employees	1	
PM6	The Search for New Employees	1½	
PM7	Selecting the Best Man for the Job	3	
PM8	Interviewing Job Applicants	2½	
PM9	Training Personnel	3½	
OP4	Office Machines	1½	
OP5	Duplicating	2	
OP6	Office Supplies	3½	
MKT5	Middlemen	2	
BL7	Special Contracts: The Sale of Goods	2½	
MKT6	Purchasing	2	
FAB13	Bookkeeping Reviewed	8	
MKT7	Stockkeeping	2	
FAB14	Recording Your Purchases	6	

SUBJECT BUSINESS COMMUNICATIONS

LESSON BC3 BUSINESS LETTERS AND REPORTS

INSTRUCTOR'S GUIDE

OVERVIEW

This lesson gives the students an opportunity to learn and practise the skills of letter and report writing.

The instructor should, depending on the students' needs create exercises throughout the course to help them develop their writing skills. The instructor should occasionally provide an exercise which could be done during class time or as a take-home exercise.

The students should be reminded of the importance of developing written communication skills. It is unlikely that they will fully appreciate the need for these skills until they are faced with this need in the business world.

OBJECTIVES

1. The student will write an acceptable business letter.
2. The student will write an acceptable business report.

REFERENCE MATERIAL FOR INSTRUCTOR

1. University of Texas Extension Division. Communications, Oral and Written. Austin, Texas: University of Texas Press, 1964, Units IX and X.
2. Federal Elective Corporation. How to Write Effective Reports. Reading, Massachusetts: Adrian Wesley Pub. Company Inc., 1965. (Programmed Instruction Text)

RESOURCES REQUIRED

1. Projectuals: BC3-1, "Kinds of Written Communication"
   BC3-2, "Parts of a Business Letter"
   BC3-3, "Parts of a Written Report"
2. Letter writing paper and envelopes for each student.
3. Flip charts.

METHODOLOGY

1. Hand out Readings.
2. Read Purpose and Introduction.

PURPOSE

In this lesson you will discuss and practise preparing sample business letters and reports.

INTRODUCTION

The businessman's two most important types of written communication are letters and reports. Carefully prepared letters and reports are a big help to your business; they help you to get things done. A written report may be prepared to support a loan application or to apply for a licence. Letters may be used to order supplies, sell your product, collect accounts, and answer complaints and inquiries.

Whatever the purpose of letters and reports, you may be assured that you will have to make use of these types of communication in your business career. Learning them properly now will save you time and effort later.

OBJECTIVE 1: THE STUDENT WILL WRITE AN ACCEPTABLE BUSINESS LETTER.

Stimulus

3. Write the following message on a flip chart or hand out copies to students. Explain that it was sent by a supervisor to his

janitorial staff.

> "Henceforth, it is expressly forbidden for custodial workers to utilize the chemical X-22 on copper conduit, because an invariable result of such utilization is that the resultant chemical reaction has a deleterious effect on the walls of the conduit."

Clarify Problem

4. Ask:"What is wrong with this written communication?" Discuss and list the answers on the flip chart. Tell students (and write on chart) that the message could have been written like this: "The chemical X-22 will eat away the walls of copper pipe. Do not use it on copper pipe". Discuss.

Provide Information

5. Read Section 1 of Reading.

CONTENT

1. What Should A Business Letter or Report Do?

Business letters and reports should tell the reader what you and your business are like. They should be:

a. Correct - get the facts right and write as neatly as possible.

b. Clear - choose the best words, make sure the reader understands what you mean.

c. Short - make them as short as possible and to the point. Use short words and sentences wherever possible.

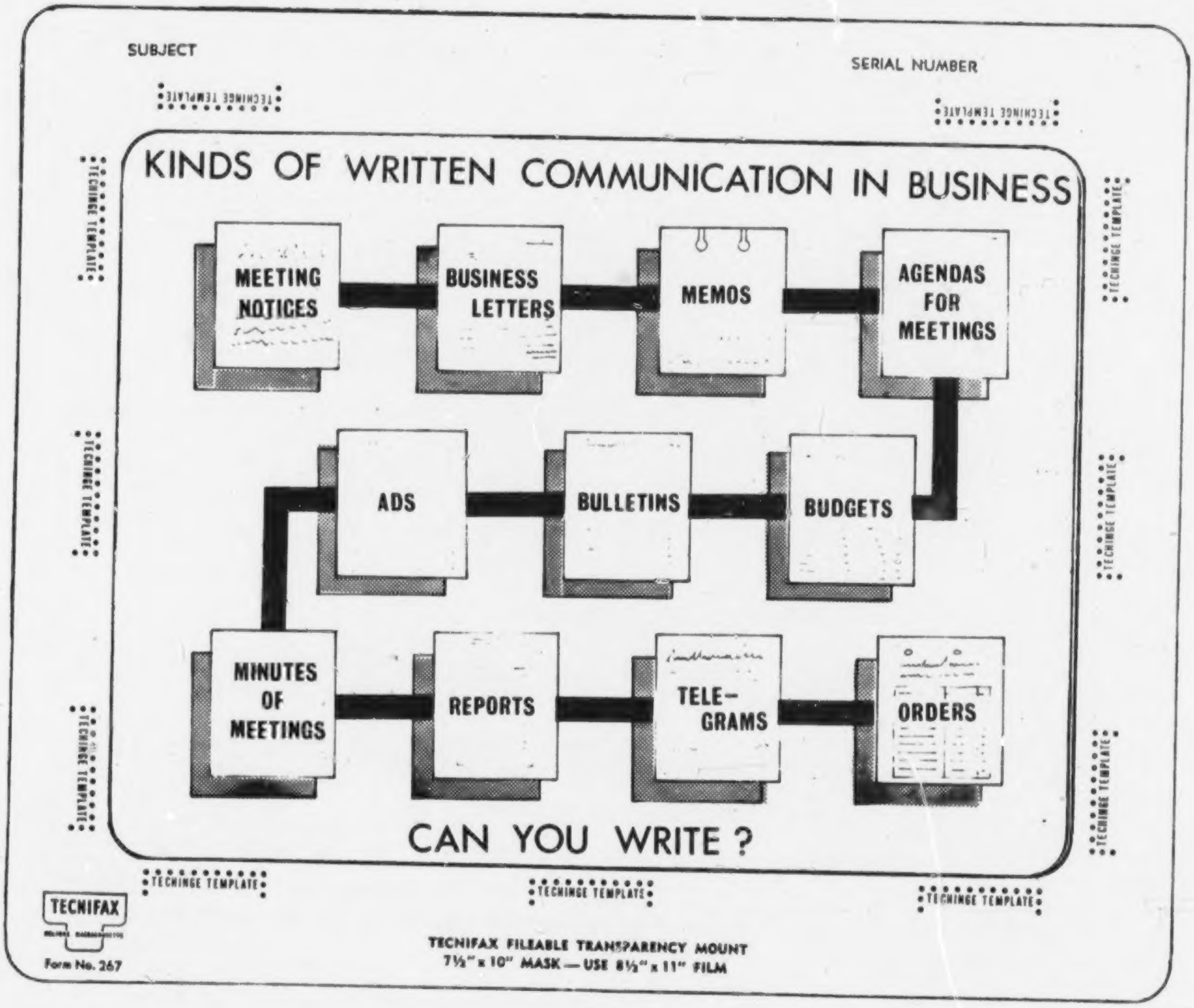
d. Courteous and Friendly - people will listen to you if you do not make them angry. Say "please, thank you, or I'm sorry", when necessary.

6. Show Projectual BC3-1, "Kinds of Written Communication In Business". Stress the importance of prospective business owner-managers being able to write.

7. Ask students to list on flip chart different types of business letters they may have to write in business. Discuss.

BC3

BC3-1 KINDS OF WRITTEN COMMUNICATION


SUBJECT
SERIAL NUMBER
KINDS OF WRITTEN COMMUNICATION IN BUSINESS
MEETING NOTICES
BUSINESS LETTERS
MEMOS
AGENDAS FOR MEETINGS
BUDGETS
BULLETINS
ADS
MINUTES OF MEETINGS
REPORTS
TELE-GRAMS
ORDERS
CAN YOU WRITE ?
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

8. Read and discuss Section 2 of Readings.

> 2. Different Kinds of Business Letters
>
> When you write a letter, you should ask yourself,"what do I want to say and what kind of a business letter will say it best?" Here are some types of business letters you may use:
>
> a. Collection letters
> A collection letter has two purposes:
>
> (1) the first is to get the money
> (2) the second is to keep the customer.
>
> Many people tend to concentrate so hard on the first purpose (get the money) that they overlook the second. Usually a series of collection letters, ranging from a casual reminder to threats of court action, are used to collect accounts. An example is shown on the next page.
>
> b. Letters That Must Say "No"
> These letters seek to make the customer understand why the business cannot give him what he wants. They should appeal to the customer's sense of fairness.
>
> c. Sales Letters
> The sales letter should get the reader's attention, interest, make him want your product, and finally get him to buy it.
>
> Can you think of other types of business letters you may have to write?

9. Show Projectual BC3-2, "Parts of a Business Letter". Discuss in detail. Instructor may make references to letters written in previous lesson.

10. Ask the students to write a business letter using one of the topics suggested below. These topics could also be used for future letter-writing exercises. In this exercise, the emphasis is the format of the letter. As students progress, the instructor should work on the qualities of clarity and correct grammar. Useful suggestions on letter-writing can be found in the booklet Communications, Oral and Written.

    a. Ask each student to write a letter to some government department, bank or credit union asking for a loan to start the business of his choice.

BC3

Hilltop Hardware
Hilltop, Saskatchewan
June 22, 1972

Johnson's Outfitting
DEEP LAKE
Saskatchewan

Dear Mr. Johnson:

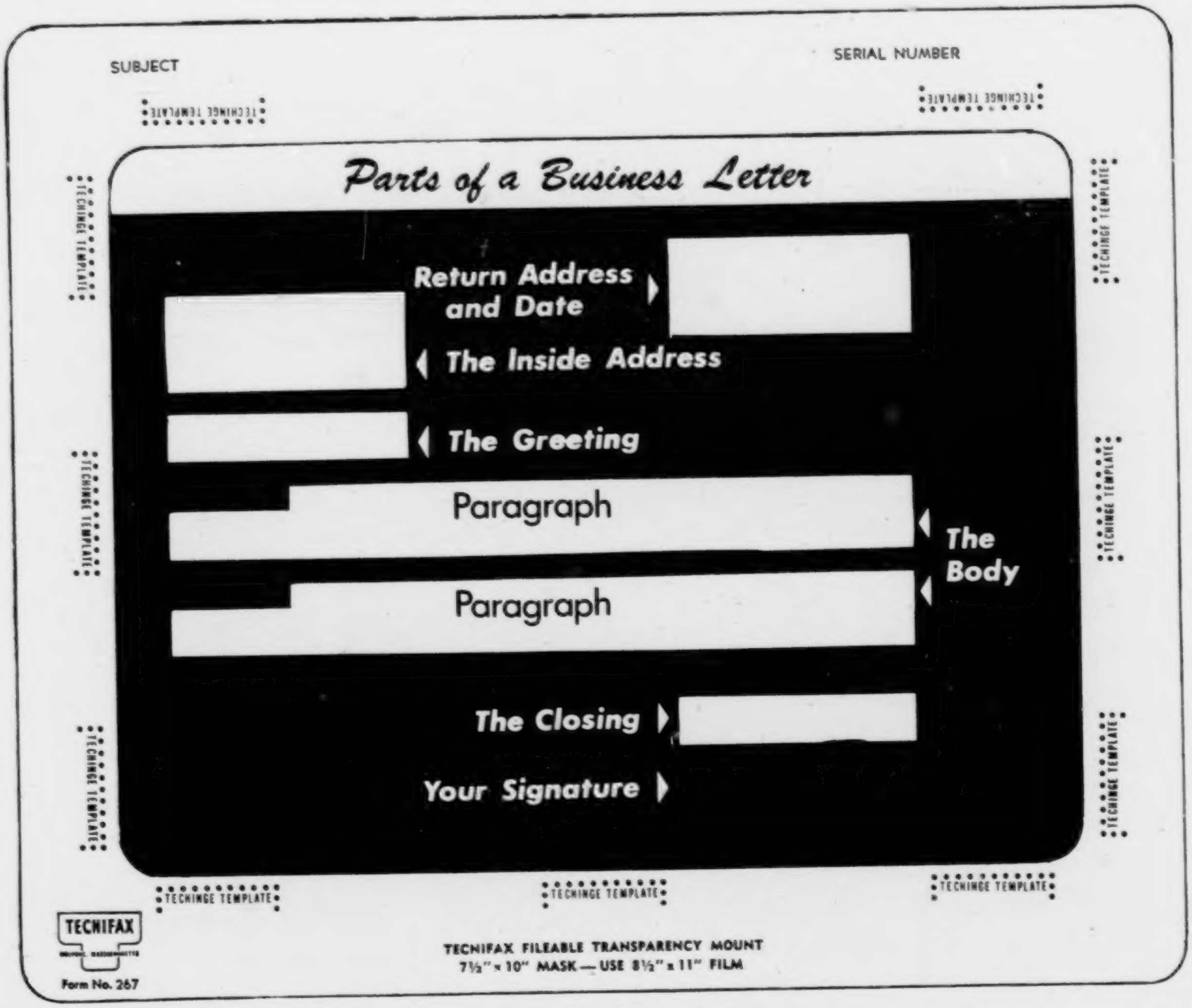
Just a friendly reminder that your account of $25.00 is past due. If your cheque is already in the mail -- thank you. If not, please give this account your usual early attention.

Yours truly,

John Smith
Manager

JS/dr

BC3-2 PARTS OF A BUSINESS LETTER


SUBJECT
SERIAL NUMBER
Parts of a Business Letter
Return Address and Date
The Inside Address
The Greeting
Paragraph
Paragraph
The Body
The Closing
Your Signature
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" × 10" MASK — USE 8½" × 11" FILM

OR

b. Ask student to write a business letter on one of the following subjects:

(1) Collecting an account not long overdue.

(2) Offering congratulations on a new job.

(3) Motivating an employee.

(4) Saying "yes" to a customer who asks for credit at your store.

(5) Saying "no" to a customer who asks for credit at your store.

(6) Answering a complaint by a customer.

(7) Collecting an account just before taking court action.

(8) Telling a supplier (wholesaler) that his goods were not satisfactory.

Check letters to see that they conform to the suggested form in the lesson. Have students revise or re-write an unacceptable letter before going on to the next section.

Indicator

11. Correct letters written in exercise and return to students. Ask for another letter if necessary.

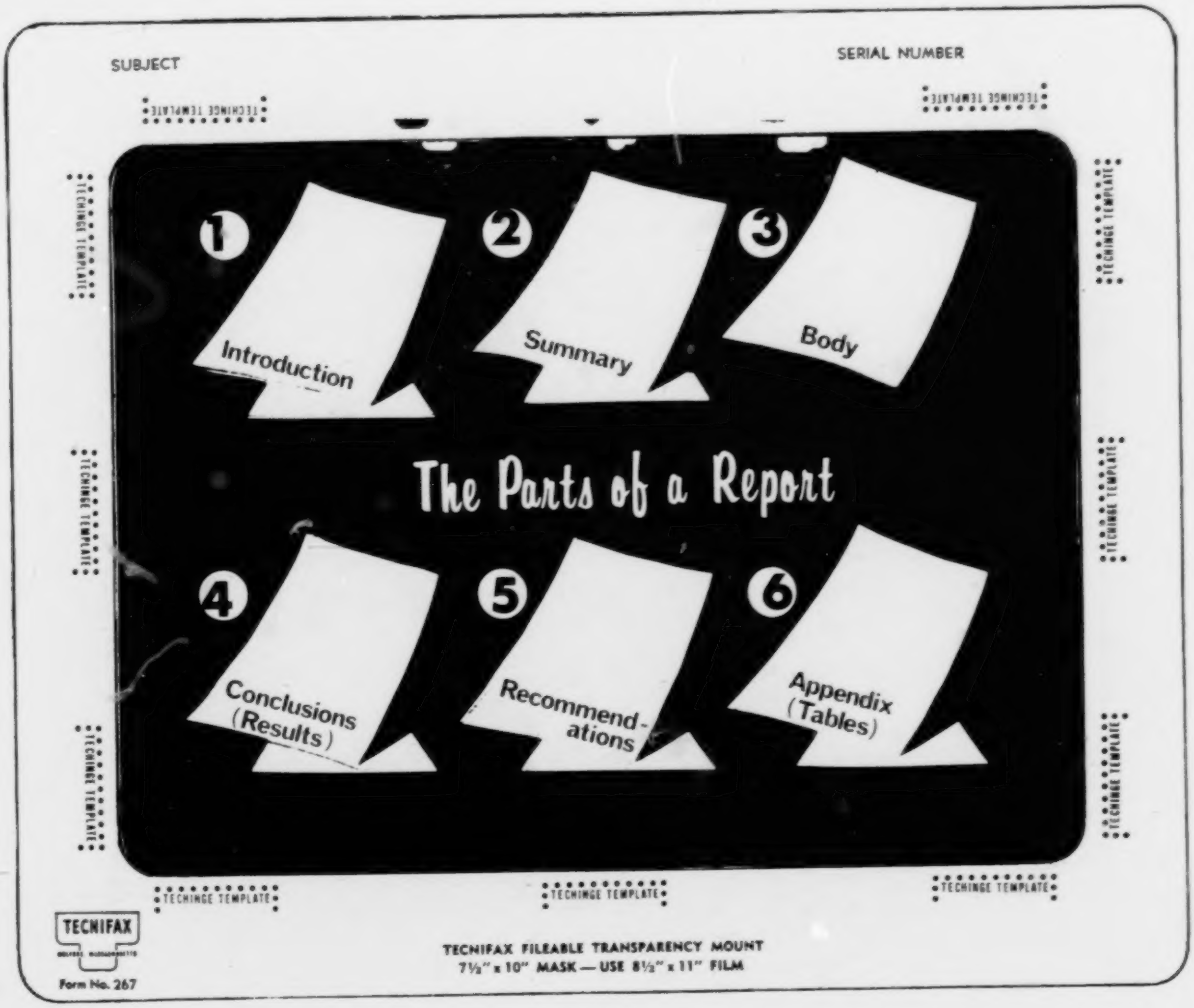
OBJECTIVE 2: THE STUDENT WILL WRITE AN ACCEPTABLE BUSINESS REPORT.

Stimulus

1. Show the Projectual BC3-3, "The Parts of a Written Report". Explain to the students that a diagram in the Readings will constructed to show the relative length that is given to each of the six parts of a report. For example, the body is much longer than the introduction or the appendix.

2. Read Sections 3 and 4 of the Readings and discuss each section.

BC3-3 PARTS OF A WRITTEN REPORT



The Parts of a Report

1 Introduction

2 Summary

3 Body

4 Conclusions (Results)

5 Recommendations

6 Appendix (Tables)

SUBJECT
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3. Writing a Business Report

Good business reports are short and to the point. The reading habits of busy people make it necessary for you to plan what you are going to write, and then say it in as few words as possible.

a. The ABC's of Writing a Report

Your report should be:

A Accurate - get the facts right. Mistakes waste time and money.

B Brief - be short and to the point. Make the best use of every word.

C Clear - make the reader understand what you mean. The wrong words will confuse the reader. Keep the report as simple as possible.

b. Organizing the Report

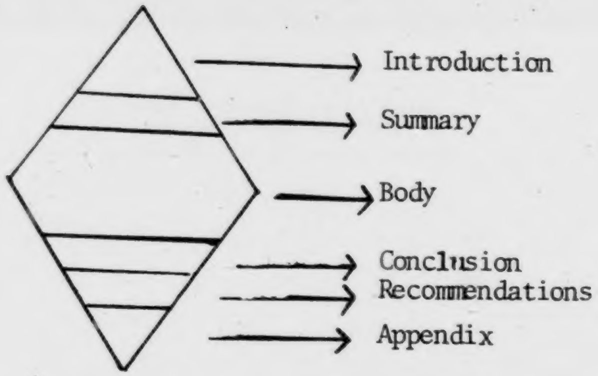
Before you write a report you should know:

(1) the main purpose of the report (to you)
(2) what is most important to the reader
(3) what is least important to the reader.

In every case, Know Your Reader. Find out from him what things he thinks are important.

c. Outlining the Business Report

Most reports have the following basic parts: (the diagram gives an indication of the size of each part of the report).



(1) Introduction - preface, objectives, purpose of report; tells the reader why the report is being written.

(2) Summary - synopsis; sums up the whole report in a few sentences for the reader; tries to make the reader accept and understand the report. Some reports will place the summary at the end of the report. However, a brief summary at the beginning gives an idea of what the report is about, and the reader can better understand the report.

(3) Body - details, discussion, experiment, procedure; the main part of your report; provides the reader with facts and detailed information that supports your conclusion. You must use facts to convince the reader that your conclusion is the right one.

(4) Conclusions - results; tells the reader what your decision is. The conclusion is based only on the facts and information you have given in the body of the report.

(5) Recommendation - suggestions, comments, opinions ; tells the reader what you think should be done. The recommendations are based on the conclusion.

(6) Appendix - tables, illustrations; includes material that may help the reader understand the report better; for example, detailed statistics, maps, pictures, etc.

d. A Sample Business Report
The following report was written by Joe Archer when he was trying to get a loan to start a business in his home community. He mailed a copy of his report to the bank manager and, at the same time, asked for a loan of $5,000.00 to start up his shoe store business.

REPORT ON A BUSINESS OPPORTUNITY IN BLUE LAKE

Introduction

The isolated community of Blue Lake is without a shoe store. This report deals with a study that was done to investigate the need for a shoe store in this community.

Summary

Blue Lake now has a population of 200 adults, 300 teenagers and 500 children. An investigation into the shoe needs of these people was carried out by talking to 50 families scattered throughout the community.

The results show that most people were in favour of having a local shoe store because of the convenience, lower prices and better shoe-fitting it would provide.

It is recommended that a shoe store be built in the community of Blue Lake.

Body

a. The Problem

Does the community of Blue Lake need a shoe store? This is the question that needs to be answered.

The population of the Blue Lake community is 1,000. It is felt that this community would buy enough footwear to support a local shoe store.

b. Studying the Need

To see if a shoe store would be a good business venture, a total of 50 families in the Blue Lake area were interviewed in May, 1971. The questions asked were:

(1) How many are in your family?
(2) What are their ages?
(3) What kinds of footwear do they wear? In summer? In winter?
(4) Where do you buy the footwear your family needs?
(5) How much does it cost you each year to buy this footwear?
(6) Would you buy your footwear needs at a local shoe store if one were built in the community of Blue Lake? Why? Why not?

Results

The answers received to the questions are shown in detail in the Appendix. Also, a detailed breakdown of the population of Blue Lake is shown in the Appendix.

The main results of the study are summarized below:

a. Average family size (including mother and father) 10

b.	Average - adults per family	2
	- teenagers per family	3
	- smaller children per family	5
c.	Main footwear used	
	- summer	rubber boots, leather shoes, leather work boots, running shoes
	- winter	moccasins, rubbers, lined boots
d.	Where footwear is presently purchased	catalogues, general store
e.	Average amount spent by each family on footwear each year	$150.00
	Families in favour new shoe store	45
	Families against new shoe store	5
	Main reasons for wanting new shoe store:	- better prices - convenience of local shopping - better fitting (especially for children) - better selection to choose from - provide jobs for local people

Recommendations

Since most of the people would buy their footwear from a local shoe store, it is recommended that such a store be built in the community of Blue Lake.

There are 100 families in this community; the study shows that about 90 of these want a local shoe store. They would spend an estimated total of: 90 x $150.00 = $13,500 per year on footwear. This means that the shoe store operator could make a good living in this community.

Appendix

List of all the answers to every question asked in the survey. Table showing a detailed breakdown of the population of Blue Lake.

Do you think the bank manager will lend John Archer the money to start up a shoe store in Blue Lake?

4. Summary

This lesson has discussed letter writing and business reports. It gives you an idea of the correct way to write a business letter. It also discusses the way a business report should be arranged to be easy to read and follow. Practice in writing letters and reports will help you develop the skills you want and need as a businessman.

3. Give one of the following topics (or allow a choice of topics) as an exercise for students to do as a take-home assignment.

   a. A report on a visit to a business or a report on a business project.

   b. A report, suitable for presentation to some loan agency (e.g., Dept. of Indian Affairs) on my participation in the Small Business Management Course.

   c. A report on the business opportunities in my home community.

   d. A report on the need for a recreation centre in the community.

   e. A report to shareholders of a co-op on the needs for expansion of the co-op.

   f. A report on the pollution problems in the community.

Indicator

4. The report written in the preceeding exercise and, if necessary, another report assigned after you have had a chance to correct and assess the ability of students to write a report will serve as indicator.

SUBJECT BUSINESS COMMUNICATION

LESSON BC4 SPEAKING IN BUSINESS

INSTRUCTOR'S GUIDE

OVERVIEW

Students usually feel some hesitancy about speaking before the group. It sometimes helps if the instructor discusses this as a natural feeling. No one wants to feel foolish in front of other people, but if a person lets his shyness get the best of him, he cannot improve his skills in speaking. The feeling of being ill at ease disappears after some practice before the group. To encourage the students, the instructor can give a short talk so that students do not see the instructor as wanting them to do something he will not do himself.

Students, as businessmen, will have to speak to many audiences -- employees, customers, suppliers, creditors. They will likely also be called upon to speak at various community gatherings. Speaking ability will be valuable to them in the conduct of their business or in community affairs.

This lesson deals with some of the fundamentals of public speaking to a group. In addition, students will get an opportunity for short speaking exercises. Further practice can be scheduled by the instructor at regular intervals during the course. The instructor may wish to set some time aside every two or three weeks to give the students a few hours in which to practise speaking.

The instructor may wish to use a videotape recorder to tape the speech-making. Videotape playback to the class serves as a very useful method of self-evaluation. Each student sees how he performed. This can be used as an effective method of evaluation in addition to that made by fellow students.

Students should realize that although the principles for effective speaking given in this lesson are those used for speaking in front of groups, the skills can be very useful in everyday contacts.

BC4

OBJECTIVE

The students will be able to deliver a speech in front of the group with a minimum of nervousness and speech errors.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Sager, Arthur W. Speak Your Way to Success. New York: McGraw-Hill Book Company, 1968.
2. Loren, Bernice. Effective Public Speaking. New York: Crowell Collier and Macmillan Inc., 1963.
3. Christopher Leadership Course, 1871 Francois Road, Windsor, Ontario.
4. University of Texas Extension Division. Communication in Distribution. Austin, Texas: University of Texas Press, 1968, Unit IV.
5. University of Texas Extension Division. Communications, Oral and Written. Austin, Texas: University of Texas Press, 1969.
6. Booklet on telephone usage from the telephone company.
7. Borden, Richard C. Public Speaking as Listeners Like it. New York: Harper and Row, 1935.

RESOURCES REQUIRED

1. Projectuals: BC4 - 1, "Stage Fright".
   BC4 - 2, "Practice, Practice, Practice".
   BC4 - 3, "More than Words".
   BC4 - 4, "Speak Up, It will be Easier Next Time".
   BC4 - 5, "You can Speak".
   BC4 - 6, "Some Speaking Don'ts".
   BC4 - 7, "Nervous Speech Habits".
2. Films: "Is There Communication When You Speak?" (15 minutes)
   "Telephone Courtesy". (15 minutes)
3. Videotape equipment.
4. Resource person: member of Toastmasters Club or someone who is a competent public speaker.
5. Tape recorder with telephone hook-up.

METHODOLOGY

1. Hand out Readings; read and discuss Purpose and Introduction.

PURPOSE

In this lesson you will learn some of the principles of good speaking. You will also have a chance to practise speaking to a group.

INTRODUCTION

Speaking is a very important means of communication in business. The owner-manager spends about 30% of his day talking. He speaks to many receivers, either face to face or over the telephone, such as his workers, customers, other businessmen, suppliers, and creditors. He may also be called upon to speak at community gatherings.

Therefore it is important for you as a businessman to have the ability to speak. You must be able to make people understand what you mean when you speak and also to interest them in what you are saying.

Most of the material in this lesson deals with preparing and delivering formal speeches, but it will still help you in your everyday speaking with customers, employees, etc.

OBJECTIVE: THE STUDENTS WILL BE ABLE TO DELIVER A SPEECH IN FRONT OF THE GROUP WITH A MINIMUM OF NERVOUSNESS AND SPEECH ERRORS.

Stimulus

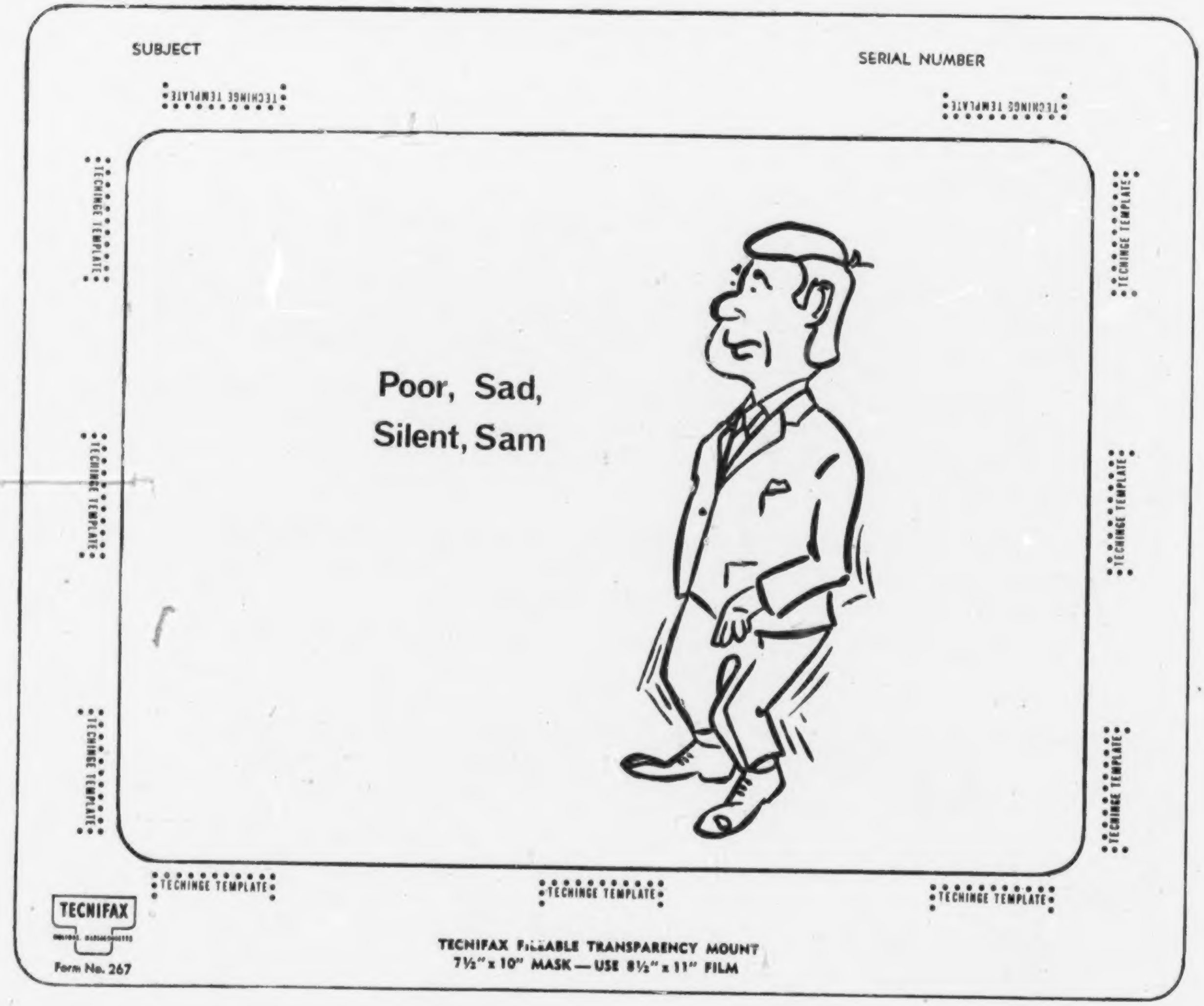
2. Show Projectual BC4 - 1, "Stage Fright".
Ask:"Have any of you felt like this"? Why?

Clarify Problem

3. Ask each student to give a one minute talk on a topic of his choice: holidays, hobbies, gardenting, jobs, fishing, embarrassing moments, or interesting experience, etc.

BC4

BC4-1 STAGE FRIGHT


Poor, Sad,
Silent, Sam

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When all the students have given their talks, ask them to evaluate the talks. Without naming names, ask students to list on one flip chart the strong points (good speaking habits) they noticed and on another, to list the weak points (poor speaking habits).

Provide Information

4. Read Sections 1 and 2 of Reading.

CONTENT

1. Some of the Basics of Speaking

A speech is like a letter - if it is not well organized it will not be very effective. For example, if you put the wrong address on an envelope it will not get your message to the person you want to reach. Also, if you do not speak properly, your message may not get across.

There are two parts to a speech. That is, a talk can be divided into two areas:

WHAT You Say, Or SPEECH CONTENT	HOW You Say It, Or SPEECH DELIVERY
This part of the speech contains the basic material, the facts, figures, and other information.	This part of the speech involves the tone, emphasis, facial expressions, and other body movements you use.

Every time you speak to a person, he sees and hears some of both parts of your speech. Often the way you say something can change the meaning of what you say. Do you agree?

For example, if a person whispers, "yes dear", to you very softly and gently it means something quite different than if someone shouts, "YES DEAR", to you in a harsh, irritated voice. You can think of other examples, no doubt.

You must pay attention to WHAT you say and HOW you say it. Your audience (the person or people you talk to) gets meaning from both parts of your speech.

2. Preparing Your Speech Content

   a. Decide on the PURPOSE of your speech. Ask yourself, "What do I want to accomplish?" For example, is your purpose to explain? to instruct? to persuade? to convince? to inform? or to entertain? The purpose of your speech will help you decide how to prepare your speech.

   b. Decide on the SUBJECT of your speech. You must decide what main idea or theme you will use. You should consider ideas that are worthwhile to your audience, by asking yourself:

      (1) To whom am I going to speak?
      (2) Is my subject suitable for the occasion?
      (3) How can I make my subject interesting to the audience?
      (4) Does my subject fit my purpose?

   c. PREPARE your speech. Be sure to choose details that will support or illustrate the main idea, subject or theme. Some hints to help you prepare your speech are:

      (1) Write down your ideas and thoughts about the subject.

      (2) Gather all other information on the subject you can find.

      (3) Sort the information into a logical order.

      (4) Measure your speech, in time, at about 150 words per minute.

      (5) When you have finished writing your speech read it over (aloud) several times until you feel you fully understand what you have written and have fully familiarized yourself with the content and purpose of your speech. Make sure the speech fits into the time allowed.

      (6) Make a summary of your speech. Write it on a sheet of paper or on 3" x 5" cards. Use this summary to help you remember what to say. Do not read the whole speech word for word.

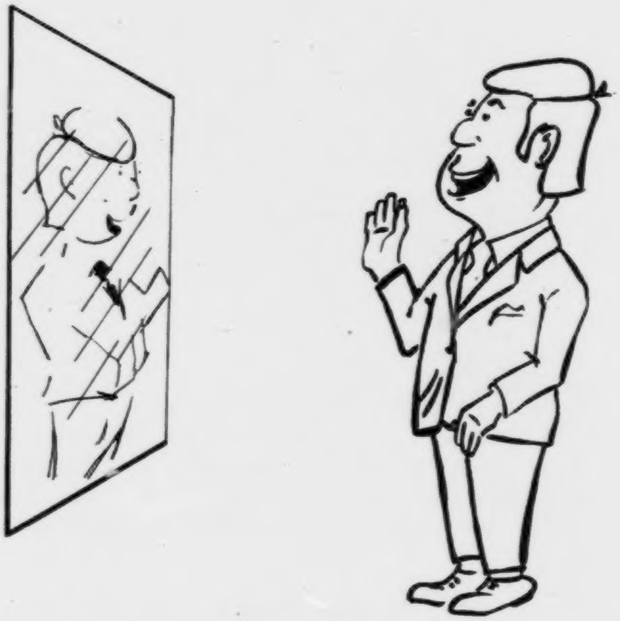
      (7) Practise your speech in front of a mirror several times before you go in front of your audience.

5. Discuss readings. Show Projectual BC4 - 2, "Practice, Practice, Practice". Discuss the importance of practice, especially the first times you speak.

BC4-2 PRACTICE, PRACTICE, PRACTICE

SUBJECT

SERIAL NUMBER



Practice, Practice

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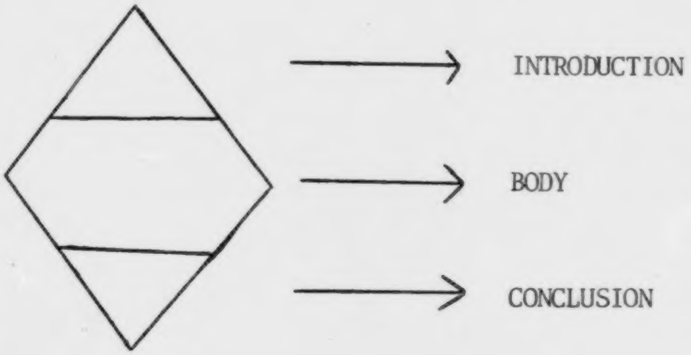
6. Show Projectual BC4 - 3, "More than Words". Discuss the fact that the message may be more than the words spoken.

7. Read Sections 3 and 4 of Readings and discuss. Show Projectual BC - 4, "Speak Up, It will be Easier Next Time", and BC4 - 5, "You can Speak", as students read Section 4.

3. Organizing the Speech

A speech is organized much like a letter. For example, a speech should have:



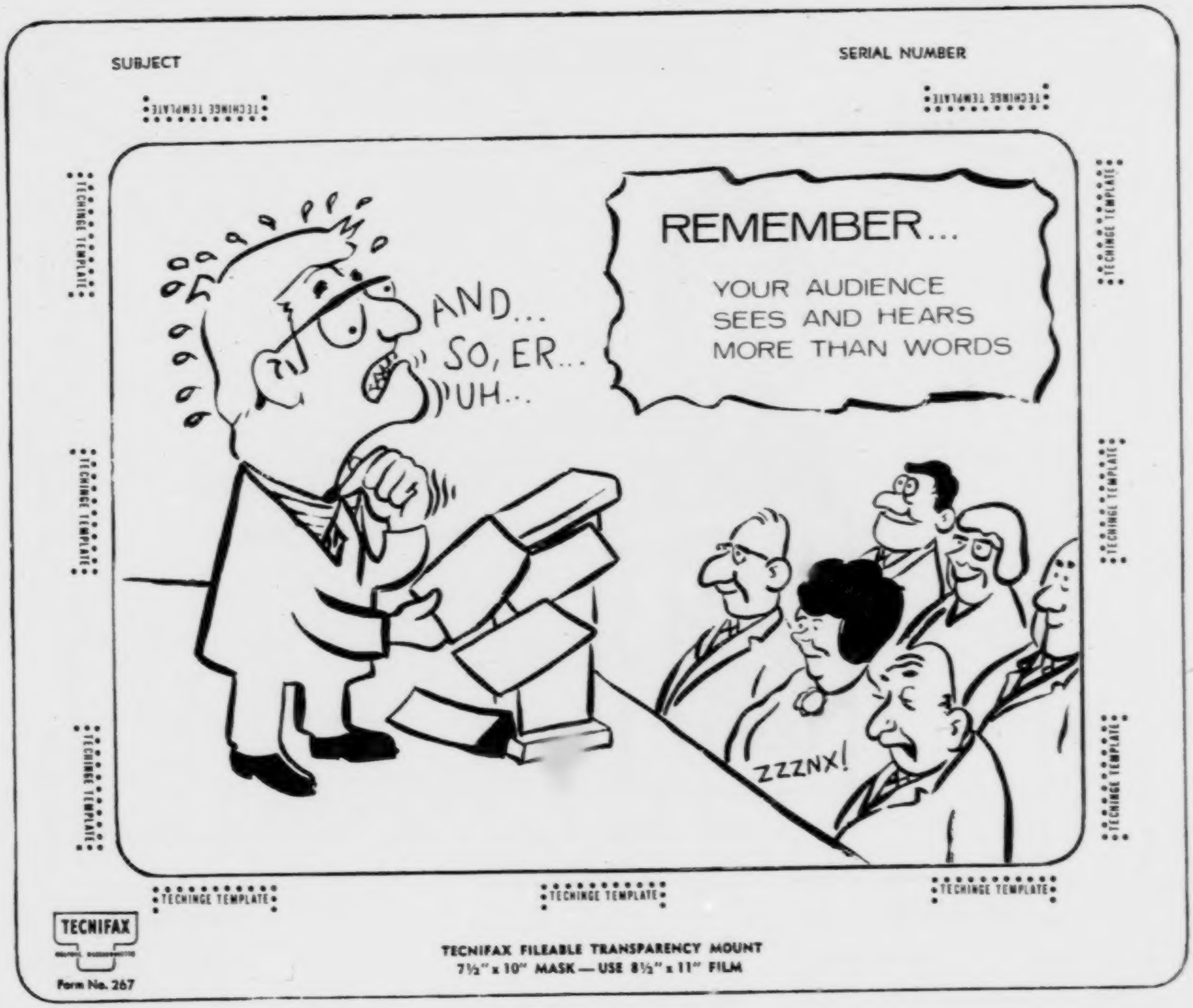
a. Introduction
A good introduction should catch the attention and arouse the interest of the audience. It should suggest the purpose of your speech, and show the audience that your topic is important. It should also suggest the scope of your talk; that is, indicate what areas will be discussed.

b. Body
In the body of your speech, you should:

(1) Expand your subject, by choosing a few main points and emphasizing them well and by arranging your points so that they fit well together. That is, try to have a smooth, easy movement of ideas from one point of the speech to another. Arrange your thoughts in a clear, logical order.

(2) Support your subject by illustrating your points with colour, imagination and variety, and by restating the main points in several different ways.

BC4-3 MORE THAN WORDS


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
AND...
SO, ER...
UH...
REMEMBER...
YOUR AUDIENCE SEES AND HEARS MORE THAN WORDS
ZZZNX!
TECNIFAX
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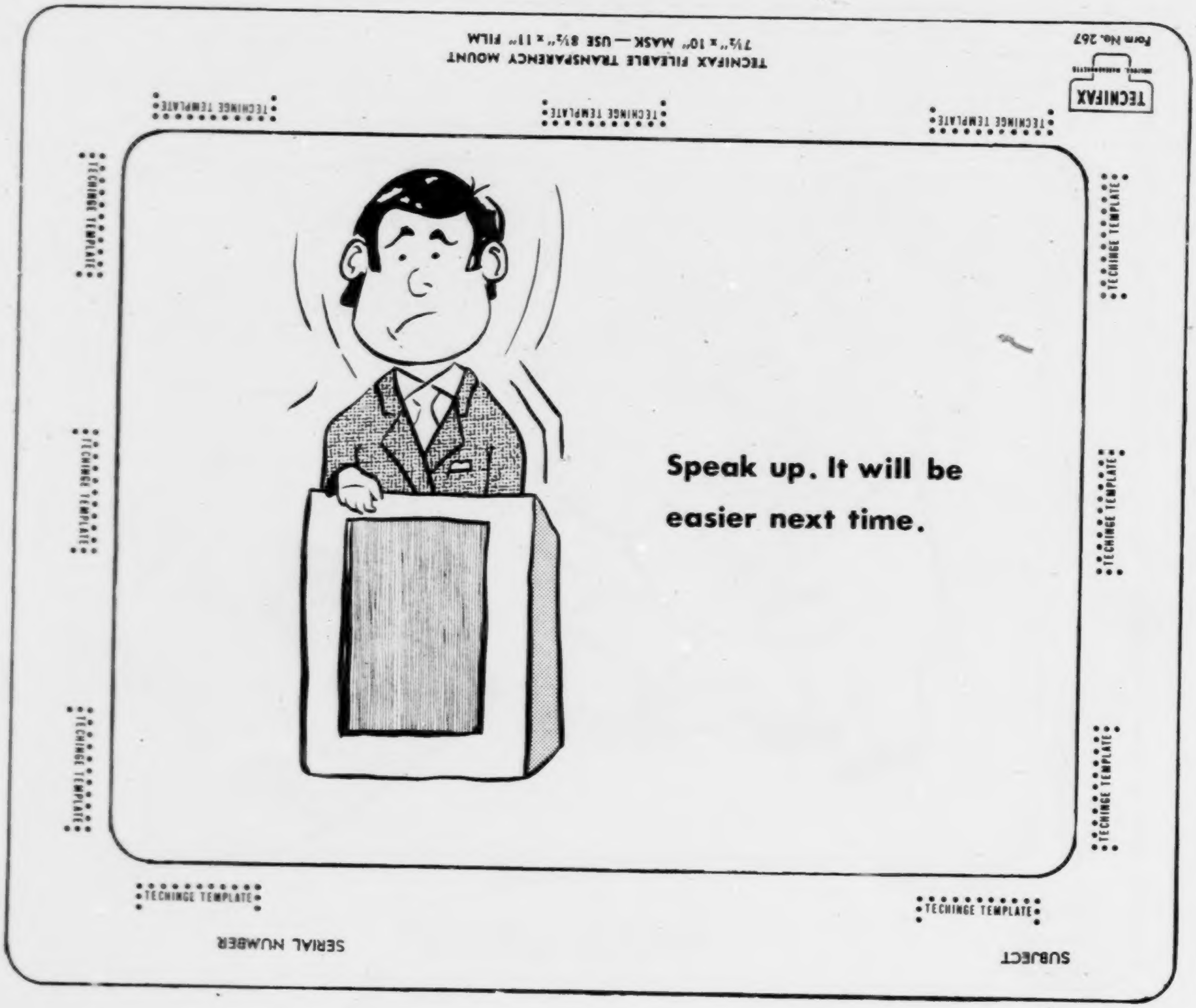
BC4-4 SPEAK UP, IT WILL BE EASIER NEXT TIME



Speak up. It will be easier next time.

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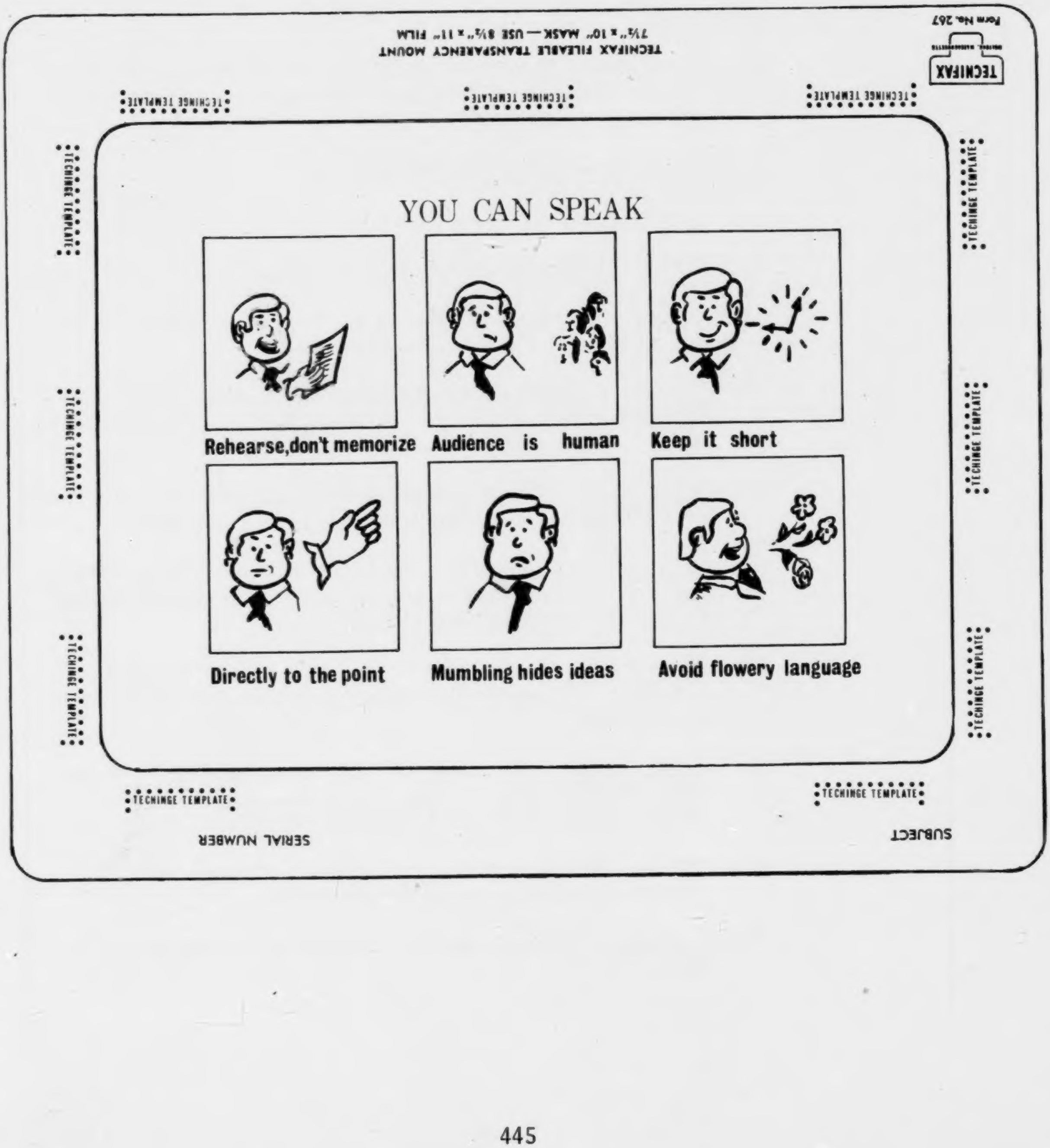
SERIAL NUMBER
SUBJECT

BC4-5 YOU CAN SPEAK



YOU CAN SPEAK

Rehearse,don't memorize

Audience is human

Keep it short

Directly to the point

Mumbling hides ideas

Avoid flowery language

c. Conclusion

The conclusion is the high point of your speech; it should be short, and should briefly remind the audience of the purpose and the main points of your speech.

The last sentence of the speech should be carefully chosen. The way you conclude your speech will make the strongest impression on your audience.

4. Delivering Your Speech

Speech delivery is everything you do after you stand up to speak; it is the 'how' of speaking. Remember, how you say something is sometimes more important than what you say.

a. Words Used to Describe Speaking Voice

(1) Tone - Sound of the voice.

(2) Pitch - Highness or lowness of tone.

(3) Volume - Loudness or softness of tone. Power is in the chest. Posture is important.

(4) Quality - Distinctive character of voice. Emotions, fatigue affect quality. Avoid breathy, husky, harsh, nasal, thin, flat or shrill qualities.

(5) Inflection - Pitch change on a single syllable - rising or falling. No inflection produces monotone.

(6) Emphasis - Or gesture, change in pitch, speed, force, quality, facial expression used to draw attention and to present meaning forcefully.

(7) Pronunciation - Way in which words or syllables are uttered. Standard-dictionary, local, slovenly, precision-like.

(8) Enunciation - Clearness of speech according to an established pattern - clear, precise, slovenly, etc. Avoid "lazy lips" or "clenched teeth".

(9) Stress - Force applied to a word - strong, weak. Amount of energy or intensity used.

(10) Gestures - Motion used to express or to emphasize an idea.

b. Speaking Hints

(1) Tone - Control your tone of voice. Avoid harsh, grating or whining tones.

(2) Inflection - Change tone and pitch for proper emphasis.

(3) Pitch - Do not talk monotonously on just one or two tones.

(4) Range - Control the volume to fit the situation. Listeners should easily hear what you are saying.

(5) Put in the Vowels - Do not try to talk with consonants only. Open your mouth and use your tongue and lips; do not mumble.

(6) Poise - Speak confidently. Keep calm and in control of yourself at all times.

(7) Character Expressed By Voice - A dull voice portrays an indifferent person; an oversweet one shows insincerity. What does your voice express?

(8) Nervous Delivery - Think of your message, not yourself, and your nervousness.

(9) Liveliness of Expression - Make your delivery come alive with enthusiasm.

(10) Forcefulness - Inject conviction into your message.

(11) Sincerity - Believe it first; then say it as if you believe it.

(12) Clarity - Above all else, be clear.

(13) Tempo - Use a frequent change in pace to retain interest.

(14) Pauses - Make proper use of pauses for emphasis and rest.

c. Poor Speaking Habits

The following poor speaking habits distract the audience's attention, and show the speaker's nervousness. It takes practice to overcome such habits.

- continuous blinking of the eyelids
- nose-picking
- twitching the eyebrows
- cracking the knuckles
- biting the lips
- scratching the head
- shrugging the shoulders
- smacking the lips
- protruding the tongue
- licking the lips
- jerking the lips
- pulling the ears
- tapping the floor with the foot
- swinging a crossed leg
- corrugating the brow
- twiddling the thumbs
- finger tapping
- stroking the chin
- lacing and unlacing the fingers
- tugging at collar or tie
- pursing the lips
- moving the chair ever closer
- swaying the body while sitting or standing
- twitching the cheeks
- making the chin tremble

8. Show Projectual BC4 - 6, "Some Speaking Don'ts", and BC4 - 7, "Nervous Speech Habits". Ask students how a person can correct poor speaking habits.

   Suggestion:

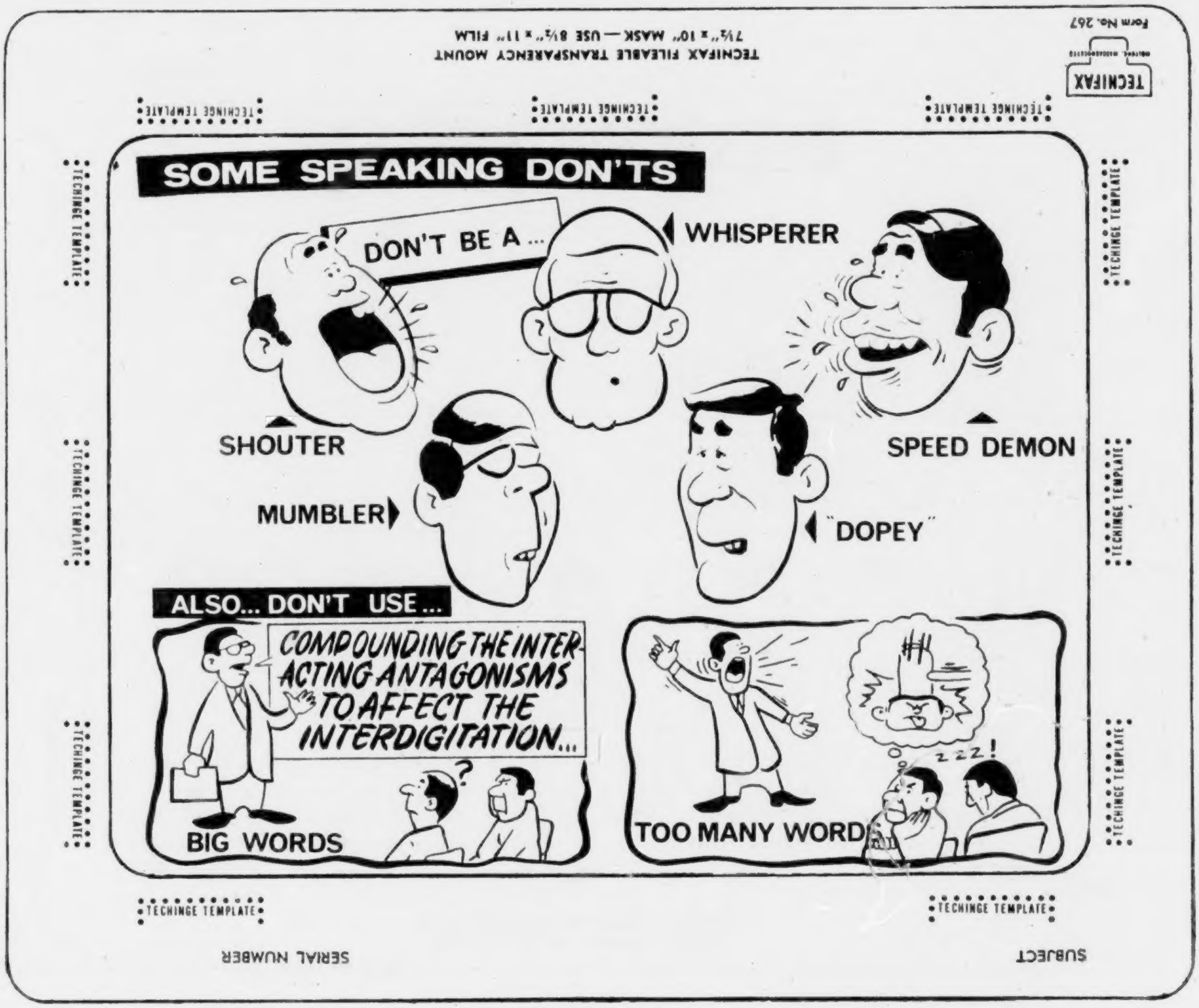
   a. Practise in front of class using evaluation sessions.
   b. Use videotape to see oneself.

9. Read and discuss Sections 5 and 6 of the Readings.

5. Rating Speeches

   a. Here is one type of rating sheet for your speech. You can also use it to rate the speech of others.

BC4-6 SOME SPEAKING DON'TS


TECNIFAX
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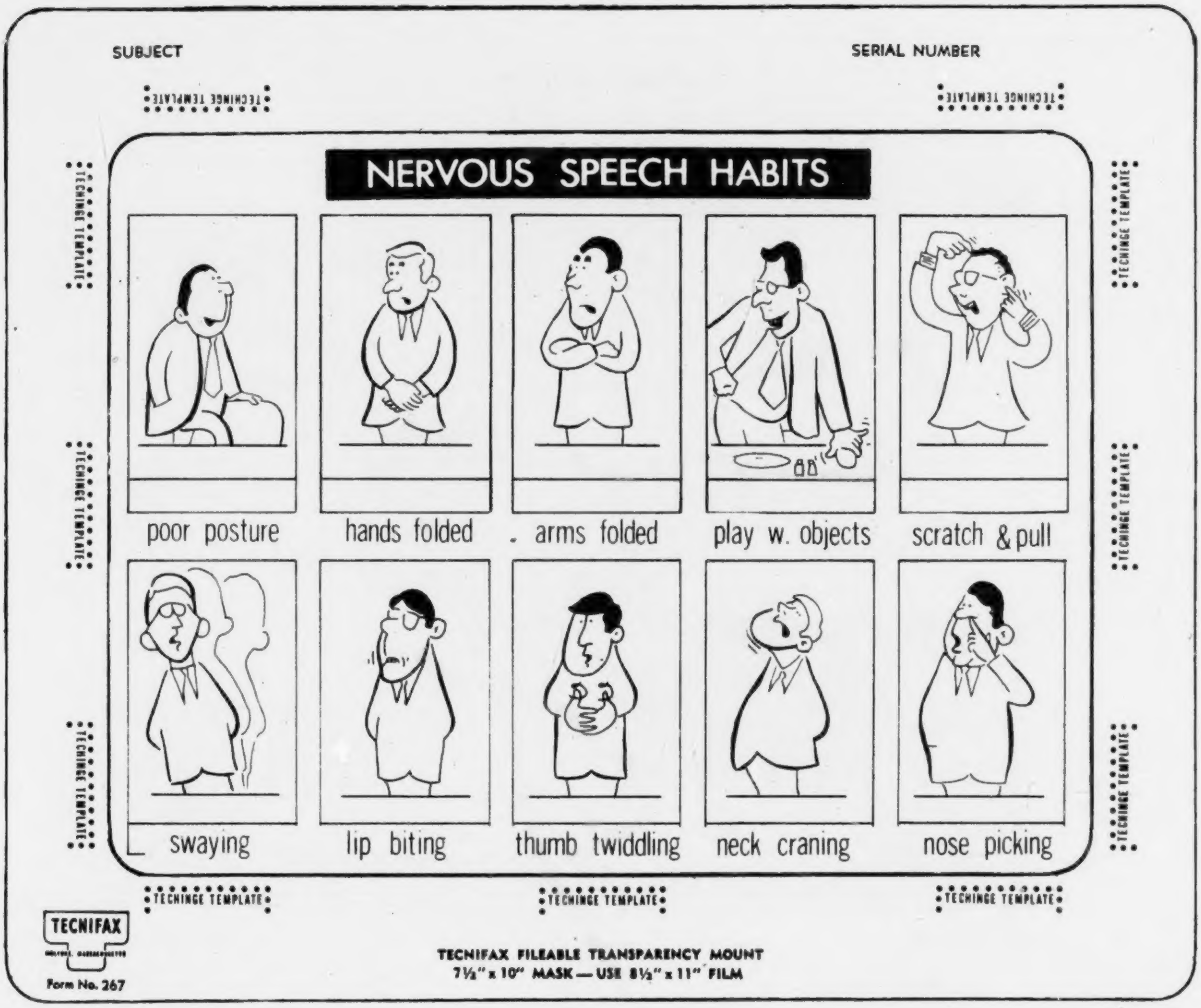
Form No. 267
TECHINGE TEMPLATE
SOME SPEAKING DON'TS
DON'T BE A ...
WHISPERER
SHOUTER
SPEED DEMON
MUMBLER
"DOPEY"
ALSO... DON'T USE...
COMPOUNDING THE INTERACTING ANTAGONISMS TO AFFECT THE INTERDIGITATION...
?
BIG WORDS
Z Z Z !
TOO MANY WORDS
SERIAL NUMBER
SUBJECT

BC4-7 NERVOUS SPEECH HABITS


SUBJECT
SERIAL NUMBER
NERVOUS SPEECH HABITS
poor posture
hands folded
arms folded
play w. objects
scratch & pull
swaying
lip biting
thumb twiddling
neck craning
nose picking
TECHINGE TEMPLATE
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BC4

SPEECH ITEMS	Excellent	V. Good	Good	Fair	Poor	Speaker's Score
Opening (Appearance, introduction)	15	12	9	66	3	
Voice (Pitch, tempo, volume & Enthusiasm)	10	8	6	44	2	
Body Movement (Gestures, poise, eye-contact, mannerism)	10	8	6	44	2	
Organization (Logic, clarity, suitability, coherence)	20	16	12	88	4	
Mechanics (Diction, grammar, pronunciation, word picture)	10	8	6	44	2	
Closing (Summary, conclusion)	15	12	9	6	3	
Effectiveness (Was purpose achieved to impress, inform, persuade?)	29	16	12	8	4	
TOTAL SCORE	100	80	60	40	20	

b. The Speaker Analysis Chart
Below is another chart you can use to analyze yourself or other speakers.

SPEAKER ANALYSIS CHART

NAME ______________________________ DATE ____________

			FAIR	GOOD	EXCELLENT
A.	Delivery	Stance	___	___	______
		Attitude	___	___	______
		Gestures	___	___	______
B.	Voice	Enunciation	___	___	______
		Emphasis	___	___	______
		Range	___	___	______
C.	Interest	Knowledge of topic	___	___	______
		Preparation	___	___	______
		Attention holding	___	___	______

.. ..

I like you as a speaker because: ______________________

____

____

May I suggest that you: ___________________________

____

____

c. How to Use the Speaker Analysis Chart
First write down the speaker's name in the space provided at the top of the sheet and the date. Then place a tick in one of the columns marked FAIR-GOOD-EXCELLENT for each item listed which in your estimation is the manner in which the speaker appeals to you. For instance, under:

BC4

A.	Delivery	Stance	Did the speaker have a good platform manner? Did his physical actions distract from his talk? Did he move about, rustle papers, move objects, lean over the podium or against it? Or did he hold your undivided attention?
		Attitude	Was he enthusiastic about his subject? Was he friendly toward the audience?
		Gestures	Were his gestures feeble, noticeable, well emphasized? Did his gestures help him in his talk?
B.	Voice	Enunciation	Did he pronounce his words clearly, distinctly and correctly? Did he slur or mispronounce any words? Did he use too much slang?
		Emphasis	Did he place any emphasis on key words or sentences? Did he talk in a steady monotone?
		Range	Did he have control of his voice? Could he raise, lower, strengthen or soften his voice at will? Does he need training in voice control?
C.	Interest	Knowledge of Topic	Was the speaker doubtful about his talk? Did he have to continually refer to his notes? Did he speak with confidence and a voice of authority?
		Preparation	Did the speech sound as though little preparation and thought had been given to it? Was it easy to follow and understand, thereby showing good preparation?

Attention holding	Did your thoughts wander away while the speaker was talking? Did the speaker hold your attention right from the start? Did he influence you so that you wanted to do something about what he had to say because of the convincing way he spoke?
I Like You As a Speaker Because:	Do not hesitate to compliment the speaker on his good points as a speaker. Tell him if his platform manners are good; his voice is pleasant; his gestures are effective; his preparation is thorough; his presentation is interesting; or anything else that appeals to you because of his way of speaking.
May I Suggest That You:	Under this heading make any suggestions that will be helpful and encourage the speaker to improve himself. For instance - stand steady and do not sway so much; put more force into the tone of your voice; smile once in a while, do not be so serious unless it is necessary; relax; be natural; use your hands and arms to gesture; spend more time on preparation; practise deep breathing.

Be sincere and honest when marking an analysis sheet, for it means so much to the speaker concerned. You are in this course in order to improve yourself. So is the other fellow. An encouraging frank analysis chart from every member can be the turning point for rapid improvement in effective speaking.

6. Summary

Learning good speech habits is not easy. However with practice and with feedback from videotape and your fellow students, you can greatly improve your ability to speak. Most leaders are people who have learned how to be effective in communicating with groups.

10. Instruct each student to prepare and give a two-minute talk on an assigned topic or a topic the student has chosen.

11. Many people communicate differently on a telephone than they do in face to face contact, perhaps because they cannot see the person to whom they are speaking. Arrange, if possible, to role-play different business situations on a telephone; use two different telephones so students can simulate a real situation. If a tape recorder with telephone hook-up is available, record the conversation on tape. Play back the conversation later. People who are not used to speaking over the telephone are sometimes rather hesitant. Since the telephone is such a common convenience in business, students should learn telephone courtesy. They will often be judged by the way they sound on the telephone.

12. Evaluate the role-playing situations. Did students sound different than they expected?

13. Show film, "Telephone Courtesy". (15 minutes)

    a. Setting - advertising agency in big city. The principles illustrated in film can be related to situations in small businesses.

    b. Summary of film content (including instructions on how to use)

        (1) Shows manager of advertising agency phoning his office (after his car has stalled on a rainy morning) to report that he can't make a meeting, etc. Manager is very impatient and impolite on the phone.

        (2) Various other phoning discourtesies are shown. Advertising agency eventually loses the account of a client because of its poor phone habits.

        (3) Manager calls on telephone company representative to help improve the telephone habits in his business. He gets advice on how to use courtesy and common sense in phoning.

The suggestions he gets are:
- answer promptly
- identify yourself
- keep a pad and pencil ready
- leave a message (when you are away from your phone) to indicate where you are
- place and receive your own calls
- keep a list of frequently-called numbers
- don't always ask "who's calling"
- if you have to leave the phone for a minutes, explain why
- indicate that you understand what the other person is saying
- end calls correctly, e.g., "Thank you - goodbye"

(4) The film then shows how smoothly everything in the advertising agency would have gone if everyone would have followed the above instructions.

Discuss the film. Replay if necessary. List above phoning suggestions on flip chart and discuss. Relate to phoning in the small business.

14. Show film, "Is There Communication When You Speak?" (15 minutes)

a. Setting: University of Iowa campus - speech class for engineers.

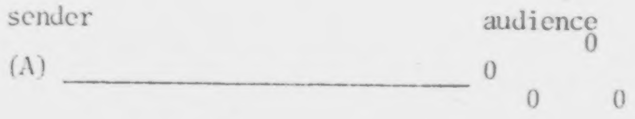
b. Summary of Film Content (including instructions on how to use)

(1) Shows engineering student, Bill Williams, in classroom taking a class in speaking.

(2) Professor is at front of classroom and says: "When you speak, you want to transfer an idea to another person." Then he talks about speech as transferring an idea from the mind of the sender to the mind of the audience.

(3) Shows Bill giving directions to a female student on how to find a particular building on campus. Bill does a poor job.

(4) Professor analyses Bill's poor direction-giving. He mentions "the ability to communicate to people is a skill everybody needs". Professor illustrates the communication system on the blackboard and while he does, Bill thinks back to his poor direction-giving. Professor's illustration is as follows:



Professor explains: "A is an idea you want to get across. If real communication takes place, then idea A will be created in the minds of the audience. If communication isn't effective, then the audience may get ideas B, C, etc., or no idea at all. When real communication takes place, the speaker can sense a response coming back from his audience (FEEDBACK)." STOP the film and draw above sketch on the flip chart. Replay above portion of film again, if necessary. Discuss.

(5) Film shows class members giving speeches. Shows how a speech should be organized. That is, purpose, main idea, supporting details, etc. STOP here and discuss how to prepare and organize a speech. Refer back to Section 3 of the Readings. Replay above portion of film if necessary.

(6) Bill tells what other things the class learned about speaking communication. Professor illustrates that "more than words" communicates. He draws a diagram to show that both verbal and visual signals are communicated to the audience.

(7) Film shows examples of students' speeches. Some are good, some bad. Students discuss different things about speaking. For example, practice needed, need for audience reaction, need for speaker to identify with audience.

(8) Film ENDS with a sum-up by the professor and with a discussion by Bill on the importance of feedback (circular response) from the audience. Instructor should de-emphasize this last part of film.

Indicator

15. Have each student prepare and deliver a two or three minute talk on a topic of his choice. Use resource person to help evaluate the speeches if convenient. Use videotape recorder as an alternative.

SUBJECT BUSINESS COMMUNICATIONS

LESSON BC5 CONDUCTING BUSINESS MEETINGS

INSTRUCTOR'S GUIDE

OVERVIEW

In this lesson students will learn how to conduct meetings. It is very likely that the students at one time or another will be asked to act as chairman for a business or community meeting.

The students should take every opportunity available to practise their skills in handling a meeting. As they gain self-confidence, they will be able to do a more effective job of chairing a meeting.

OBJECTIVE

Given a meeting situation, the student will be able to organize and conduct a business meeting.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Adult Education Association of the U.S.A. Streamlining Parliamentary Procedure. Leadership Pamphlet #15. Chicago: Adult Education Association of the U.S.A.
2. Lobingier, John. Business Meetings That Make Sense. New York: Crowell Collier and Macmillan Inc.

RESOURCES REQUIRED

1. Film, "Parliamentary Procedure" (22 minutes)
2. Flip chart.

METHODOLOGY

1. Hand out Readings.

2. Read and discuss Purpose and Introduction.

PURPOSE

The purpose of this lesson is to show you how to prepare for and conduct a business meeting.

INTRODUCTION

As businessmen and leaders in your communities, you will be expected to be able to conduct meetings. Many people worry unnecessarily about accepting the job of chairing (conducting) a meeting. They are not sure of how a meeting should be run.

The ability to conduct a meeting will help you be a better businessman and community leader.

OBJECTIVE: GIVEN A MEETING SITUATION, THE STUDENT WILL BE ABLE TO ORGANIZE AND CONDUCT A BUSINESS MEETING.

Stimulus

3. Ask: "From your experience, what do you think are some of the causes of poor meetings." List reasons on the flip chart.

Clarify Problem

4. Discuss points listed on flip chart. Ask students if they can suggest ways to overcome these problems.

Provide Information

5. Read Section 1 of the Readings.

CONTENT

1. What Makes a Good Chairman?

To become a good chairman you must learn to understand people and deal well with human situations. The chairman should take a real interest in people.

The main job of a chairman is to get each person in the meeting to speak his ideas. As the chairman, you should see that all people in the meeting are given a chance to participate. (In any group it is easy to see that the more talkative people tend to push the quieter ones to one side and put them down. The quieter people are usually self-conscious, poor speakers and afraid to express themselves. Do not let one person do all the talking.)

A good chairman has to be even-tempered; he has to be sympathetic, kind, reasonable, a good listener; he has to be firm and able to control the meeting at all times; he has to draw out all points of view and direct the discussion so that a satisfactory decision is reached.

Really the chairman is a referee - whose job is to see that the game (or meeting) is played fairly.

6. Discuss. Instructor can mention that, with practice, anyone can learn to be a good chairman.

7. Read Section 2 of the Readings.

2. Two Kinds of Business Meetings

   a. Informal. These meetings have very few rules and are more like talks or discussions. Informal meetings are very useful in business. For example, you may hold an informal meeting with your workers to discuss problems you may have with pay cheques.

   b. Formal. These are meetings that follow a set or rules known as "Parliamentary Procedure". Such meetings are usually held regularly each month or year. For example: Town Council, Recreation Club, or Board of Trade meetings.

The rest of these Readings will deal with formal meetings.

8. Discuss. Instructor can mention that even though a meeting is informal, it still requires someone to lead discussion.

9. Read Section 3 of the Readings.

3. Preparing for a Meeting

Before the meeting you, as chairman, should meet with several of the key people in the organization or community to agree on the purpose of the meeting and to draw up an agenda. Never start a meeting without an agenda. An agenda is a list of things to be covered by the meeting.

Here is a suggested agenda to use as a guide when you are arranging a meeting.

AGENDA

a. Call the meeting to order.
b. Have secretary read minutes of last meeting.
c. Have secretary read any letters.
d. Treasurer's report.
e. Report of committees.
f. Unfinished business.
g. New business.
h. Adjournment of business part of meeting.

10. Discuss. The students should realize that although the agenda is prepared before the meetings, the agenda should be approved by the people attending the meeting.

11. Read Section 4 of the Readings.

4. How to Conduct a Business Meeting

The following simple rules will be very helpful as a guide in keeping the meeting in order.

a. In most cases a meeting operates under a constitution. A constitution states:

(1) The name of the association or club.
(2) The purpose of the association or club.
(3) Officers and their duties.
(4) Regular committees and their duties.
(5) Qualifications for membership and fees.
(6) Nomination and election procedure.
(7) Bylaws - stating rules of order
    - number of members required for a quorum
    - style of agenda
    - time and place of meeting.

b. If, however, there is no constitution to govern the rules conducting the meeting, then you will be safe and correct in following these simple rules.

(1) Call the meeting to order
You should make sure there is a quorum of members present, otherwise the meeting cannot pass a motion on any business affecting the club or organization as a whole.

(2) Open the meeting
You may open the meeting by stating the purpose of the meeting; then ask the secretary to read the minutes of the last meeting.

(3) Secretary reads minutes
The secretary rises and reads the minutes. Make sure the minutes are read carefully and clearly.

Ask if there are any errors or omissions in the minutes. If not, you state that they are satisfactory and the secretary will pass them to you for your signature. However, if you wish to have them approved and accepted by a motion from the membership, you need only say: "The minutes of such-and-such a date have just been read. Will someone move a motion for adoption?" It is so moved by one member and seconded by another. You repeat the motion and then put it to a vote by the members and declare the result. If there happens to be an error, someone says: 'Mr.Chairman, I believe there is an error in the minutes." He then says what he believes to be correct, and, if the membership agrees, the correction should be made immediately. Such corrections may be made by motion and passed if the correction is not made before the meeting approves the minutes.

(4) Treasurer's report
If your club or organization has a treasurer, you should call upon him to present his report to the

membership. If possible the report should be written, and after presentation, given to the recording secretary.

(5) Report of committees
If, at some previous meeting, a committee was set up to look after something for the membership, you should call upon the chairman of the committee to give a report. If the committee's job is unfinished, a progress report should be given.

(6) Business arising out of the minutes
This involves any motions postponed from the last meeting. Such unfinished business is discussed and, if possible, successfully dealt with.

(7) New business
In order to direct the affairs of an organization meeting correctly, all items of business are passed by the meeting on motions. One member will say: "Mr. Chairman, I would like to move that -- such-and-such a thing be done." Another member rises and says: "Mr. Chairman, I second that motion."

You may then say: "It has just been moved by Mr. So-and-So that such-and-such a thing be done. This was seconded by Mr. So-and-So. Is there any discussion?" Until you have repeated the motion, there should be no discussion from any of the members.

Every person speaking for or against this motion must stand up and address you, the chairman, before speaking about the motion. The mover or seconder should be the first to speak on the motion. If the motion is a touchy one, you should control the discussion by allowing each person to speak only once and then only for a limited time.

When the discussion is ended, you put the motion before the meeting and take a vote. You announce the result in favour or against the motion and it is recorded in the minutes.

Amendments to motions cause many a headache to a chairman.

A simple amendment has to be closely related to the main motion, so that the general idea is not changed. A motion can be amended by three things:

(a) by putting in or adding words;
(b) by taking out words;
(c) by taking out and putting in words.

You should realize that proper procedure simplifies the conduct of a meeting. You are the chairman. It is up to you to see that the meeting runs smoothly and is kept alive.

Do not allow the discussion of any motion to drag. When the discussion becomes dull and nothing is being added, suggest to the meeting that a vote be taken. Sometimes a vote may be a tie and it is up to you, as the chairman, to break the tie by voting. In such instances, you should be against the motion. This leaves the motion open to bring up again at a later date and gives both sides a chance to think the matter over.

(8) Adjournment
When you have completed your agenda, ask someone to make a motion to adjourn the meeting.

No further discussion can take place if the motion is carried, and the meeting is ended.

12. Discuss each point. This section can serve as a reference when the students practice conducting a meeting.

13. Show film, "Parliamentary Procedure" (22 minutes)

a. Summary of Film

(1) Film Setting: shows a group of people holding a meeting.

(2) Film Content: The first few minutes show what happens when the meeting operates with no rules.

The remainder of the film illustrates in detail how a meeting should be conducted using parliamentary procedure.

Some points dealt with in the film are:

moving the motion
seconding the motion
amending the motion
calling for the question
the role of a chairman
the role of a secretary
a point of order
a question of privilege
an appeal of the chair.

Each of these points should be discussed. Replay portions of the film if necessary.

14. Ask the group to suggest meeting situations for role-playing a meeting. Each student should take turns acting as chairman, secretary, etc.

    Encourage students to practise parliamentary procedures in student council meetings, business project meetings, etc.

15. Read Section 5 of the Readings.

5. Summary

Conducting a meeting often looks easy when you observe a skilled chairman. However, when actually conducting a meeting you will discover that it requires preparation and practice to be a good chairman.

Indicator

16. The objective of the lesson is a long-term one. The instructor should help students acquire skills involved in conducting meetings at every available opportunity.

SUBJECT OFFICE PROCEDURES

LESSON OP3 HANDLING MAIL

INSTRUCTOR'S GUIDE

OVERVIEW

The owner-manager spends a large percentage of his time using communication skills -- speaking, writing, conducting meetings, etc. No matter how great his skills are, there will be no real communication if the person with whom he is trying to communicate does not receive the message. Verbal communication with a person who cannot hear or understand the message being sent is an exercise in futility, as is written communication with a correspondent who does not receive the paper on which the message is written.

In this lesson the student is asked to discuss methods that will ensure that the written communications he receives or sends are properly handled in order to complete the communication process. Letters sent to the wrong address or not opened, and contents of envelopes being misplaced are just a few examples of the breakdown of communication. Setting up good procedures to handle and sort mail will help the communication process.

OBJECTIVE

The student will discuss the necessity of having a proper method of handling the mail.

RESOURCES REQUIRED

1. Flip chart.

METHODOLOGY

1. Hand out the Readings.
2. Read the Purpose and Introduction with the students.

PURPOSE

The purpose of this lesson is to discuss why mail should be handled properly.

INTRODUCTION

Businesses send and receive a lot of mail. In business you will receive letters from your customers, suppliers, government agencies, and others interested in your business activities. You will send letters to customers, government agencies and suppliers. You might also send merchandise through the mail. If you don't set up procedures for handling incoming and outgoing mail you could have total confusion.

3. Discuss and clarify Purpose and Introduction.

OBJECTIVE: THE STUDENT WILL DISCUSS THE NECESSITY OF HAVING A PROPER METHOD OF HANDLING THE MAIL.

Stimulus

4. Have students list on a flip chart the various types of mail a business might receive and send.
5. Ask the students if they can think of any problems that might arise in the handling of mail. List the problems on the flip chart.

Clarify Problem

6. Discuss and clarify the problems listed.
7. Ask the students how they would overcome the problems listed. The solutions should be discussed.

Provide Information

8. Read Section 1 of the Readings and discuss.

CONTENT

1. Handling Incoming Mail

The mail, as you receive it from the Post Office, is not sorted as to whom it is from, what it deals with, and when action is required. The job of sorting the incoming mail is your job. Besides containing items that deal directly with your business, the mail might also contain personal mail for you or members of your family, or employees. It will likely also contain advertising and other promotional material not of real interest to your business. The reason for sorting the incoming mail is to separate it so information of importance to your business is brought to your attention.

Here are a number of steps to follow that will help ensure incoming mail is handled efficiently.

Step 1: Sort the mail into three piles using the following guidelines.

Pile 1: Personal mail addressed to members of your family and to employees.

Pile 2: Mail addressed to the business, the owner-manager, or to a management position.

Pile 3: Advertising, promotional letters, pamphlets and other "junk" mail.

Step 2: Open all letters in the pile of mail addressed to the business (Pile 2).

Step 3: Separate this mail into various categories:

a. requests for information by customers
b. payments by customers
c. merchandise orders from customers
d. statements from suppliers
e. mail from government agencies
f. miscellaneous

NOTE: Make sure to include the envelope with each mail item so that you have the return address of the sender.

Step 4: If the items are of concern to others in the business, make sure they receive the mail item immediately after sorting.

Step 5: Mail containing money and/or cheques should be entered in a mail book. This is a book in which you write the name, address, and amount of the money or cheque. Entries could be as follows:

DATE		NAME & ADDRESS	ITEM	AMOUNT
19				
April	10	John Tees, Yellow Creek	Cash	50.00
	10	Jack Smart, Yellow Creek	Cheque	25.00
	13	Mary Doe, Stoney Hills	Cash	25.00
	20	John Tees, Yellow Creek	Cash	10.00

The purpose of the mail book is to give you a record of money received through the mail, when it was received and from whom it was received.

After being entered in the mail book these items must be posted to the appropriate bookkeeping records.

Sorting the incoming mail into the different piles will bring to your attention those items which must be acted on immediately.

9. Compare the procedural steps outlined in the above Readings with procedures suggested in Point 7 above.

10. Read Section 2 of the Readings and discuss.

2. Preparing Outgoing Mail

You will have to send letters, orders, statements, forms, etc. to your customers, your suppliers, government agencies, and other businesses and people concerned with your business activities. In the Business Communication subject area you study and practise how to write business letters and reports. In the FAB subject area you learn how to complete various government forms and statements. When you are in business these forms and statements must be returned in time or you may have to pay a fine. In business you might also be required to send valuables by mail -- bank deposits, merchandise, equipment to be repaired or returned. Since these items are valuable they should be sent by registered mail in order to protect yourself against loss.

Here are some steps you can follow for preparing outgoing mail:

Step 1: Make sure all mail is properly addressed. Check the address to which each item is being sent and make sure your return address is on the envelope.

Step 2: Make sure all items have the correct postage on them. You can get a schedule of postal rates from any Post Office. This schedule will indicate the postage rate for the various classes of mail.

Step 3: If an item is being sent C.O.D. make sure you have included all the required merchandise - don't back-order. Check with the Post Office for the right way of sending C.O.D.

Step 4: If you are sending something by registered mail you will receive a receipt from the Post Office. File this receipt in a Registered Mail file folder so that if you receive notification that mail has not arrived at its destination you can produce the receipt from the Post Office.

NOTE: If you are sending items by C.O.D. or by registered mail you will be required to pay the Post Office for use of these services. The payment is considered an expense. When you pay for these services make the appropriate entries in your book using the receipts as your vouchers.

11. Compare the procedural steps outlined in the above Readings with procedure suggested in Point 7 above.

12. Summarize lesson by Reading Section 3 of Readings.

3. Summary

The most common way that you will communicate with other businesses, government agencies, and interested parties is by mail. Knowing how to write good business letters and how to properly fill out required forms is very important; another important job, which businessmen unfortunately overlook is that of properly handling incoming and outgoing mail. The best written business letter in the world is useless if it is sent to the wrong person. You may miss an important deal if an incoming letter isn't opened until a week after receipt or if it is misplaced entirely.

A simple job such as handling the mail efficiently and rapidly can, in fact, have far-reaching effects on your business. By using methods that allow for an effective handling of the mail that your business receives and sends, you will present to your correspondents a positive image - a mental picture of an efficiently-managed business.

Indicator

13. Have the students discuss whether or not proper mail handling is important to a small business.

SUBJECT MANAGEMENT PROCESS

LESSON MP7 THE PLANNING FUNCTION

INSTRUCTOR'S GUIDE

OVERVIEW

The students have been introduced in previous lessons to the idea of management, and have had a few lessons in a number of subject areas. They have seen that management involves four functions: Planning, Organizing, Directing and Controlling. These can be quite general words unless they are considered in the context of business.

In this lesson the student looks at what is usually considered the first phase of management. Certainly planning is necessary prior to starting a business, as the lesson points out, but it is also essential for the student to see planning as an on-going activity. Since a manager cannot foretell the future, the further ahead he plans, the more factors will be uncertain. As time goes by there is need to up-date the plans to fit the new facts.

Some students may have an idea that planning is impossible or very difficult because there are so many variable factors. It is certainly true that planning is not easy, yet a business that does not plan often fails.

The lesson's purpose is to give the student an overview of what planning is about. The details of planning are covered in the Finance, Accounting, and Bookkeeping (FAB) subject where lessons dealing with budgets, working capital, source of financing, and financial statements are seen. In fact the FAB lessons provide the tools for financial planning. The Personnel Management, Marketing, and Production Management lessons provide the knowledge required for planning in these areas.

This lesson will be most effective if the instructor can draw on his own experience and that of the students to illustrate the content.

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OBJECTIVE

Given a business situation, the student will be able to describe the type of planning which should be done, and when the planning should take place.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Flippo, Edwin B. Management: A Behavioral Approach. Boston: Allyn and Bacon Inc., 1970, pp. 21-82.
2. Sisk, Henry L. Principles of Management. Cincinnati: South Western Publishing Company, 1969, pp. 77-188.

RESOURCES REQUIRED

1. Flip Chart.

METHODOLOGY

1. Hand out the Readings
2. Read the Purpose and Introduction

PURPOSE

This lesson will examine the first function of management: planning.

INTRODUCTION

In lesson MP4, "What is Management", we saw that management is **the co-ordinating of people's efforts to reach a goal.** We also saw that management consists of four functions: planning, organizing, directing and controlling.

Planning is often considered the first function since little can be done before we have plans of what we want to do.

From personal experience we know that we need plans to co-ordinate the efforts of a number of people so each will know what has to be done, who has to do it, and when it has to be done.

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If we want to organize a dance, plans will have to be made. Where will the dance be? What orchestra will play? Who will prepare lunch? What should we have for lunch? Will refreshments be served? How much is required? Who will make purchases?

In addition, we will want to know what to charge at the door. In order to figure this out, we will want to know the cost of the hall, the orchestra, the lunch and the refreshments. To estimate the cost of the lunch, we need an estimate of the number of people who might attend. The price that refreshments will be sold at must also be determined. With this type of information, it is possible to arrive at an estimate of expenses and receipts and expected profit.

In this lesson we will define planning more precisely. We will then look at the types of planning, and finally we will consider the steps involved in planning.

3. Discuss and clarify the Introduction.

OBJECTIVE: GIVEN A BUSINESS SITUATION, THE STUDENT WILL BE ABLE TO DESCRIBE THE TYPES OF PLANNING WHICH SHOULD BE DONE, AND WILL BE ABLE TO INDICATE WHEN THE PLANNING SHOULD TAKE PLACE.

Stimulus

4. Have the students work in groups of four or five.
5. Ask each group to take a business of their choice, and to list on a sheet of paper all the planning jobs which a manager of a small business must do.

Clarify Problem

6. When the students are finished ask them to gather into one large group and share the planning jobs. Have a representative from each group indicate the type of business the group has chosen, and then have him list the types of planning to be done. Have someone list these planning jobs on a flip chart. Example: plan store location, loan required, expected sales volume, expected expenses, profit, and time merchandise is required, etc.

7. When each group has finished, have group discuss each others' lists and have the group add to the lists.

Provide Information

8. Read Sections 1 and 2 of the Readings.

CONTENT

1. Planning Defined

Planning can be defined as the laying out, preferably on paper, of a future course of action.

Since our concern is with business, planning here involves predicting the future of the business operation; it is a matter of considering alternative possibilities and selecting the best.

In much the same way as with the organization of a social event, the operation of a business requires planning. Information is needed about expected sales, finances required, personnel or staff required. If the business is one involved in the production of a product, there is need to know how much material may be needed in the production process, and when it will be required.

In all businesses, there is a need to know the expected profit of the business. This means that an estimate of expenses and revenue is therefore required. It requires considerable work and planning to obtain these figures.

Planning is not limited to the work that must be done before a business starts. The business is constantly changing because the world we live in is constantly changing. Each month and each year there are new and different circumstances. How does a manager prepare for them? He prepares by trying to foresee as best he can the factors which will influence the business. He plans for possible changes in revenue and expenses. He plans for needed changes in the number of employees, for additional funds and for loan repayment.

2. Importance of Planning

The first few years of a business are the critical ones. Before starting the business the manager should foresee all aspects of the business. If there are gaps which are the result of poor planning, the consequences can be a serious setback and even business failure.

Before he can start a business the manager will have to make arrangements for the necessary loans. He will have to approach a bank or other lending institution. The lending agency will want information on what the manager expects to do with the money, what profit is expected and how the money will be paid back. It also expects the manager to do planning before he applies for a loan.

When the planning has not been adequate, expenses may be forgotten, or revenue poorly estimated. This can mean a difference in the profit expected from the business. Great care must be taken in foreseeing the financial needs of the business as well as the profitability of the business. No one wants to start a business which does not have a chance to succeed.

Planning is also necessary to see what products or services will be provided, and what quantities and qualities the customers are interested in. If the wrong decisions are made, the products may stay on the shelf a long time. This can mean a serious loss to the business.

The information supplied by planning is essential for the business manager as well as for other people, such as bankers and lending agencies, who deal with the business.

9. Discuss Readings: Instructor may provide experience of planning he has had, or ask students who have been in business to talk about planning they have done or difficulties they have experienced when planning.

10. Ask students whether most of the businessmen they know do some planning. Ask them in what areas planning in the businesses is weak or strong.

11. Read Section 3 of the Readings.

3. Tendency to Neglect Planning

While most people studying business management will readily admit that planning is essential, in actual fact many businessmen neglect to take the necessary time to plan, and so failure or poor performance results.

There are a number of reasons why planning is often neglected:

a. The pressure of work is often a cause of poor or inadequate planning. Planning is a function which can be postponed. Unless priority is given to this function it can easily be put aside with disasterous effects. If you have a choice between waiting on a customer and doing some planning, the customer will be attended to.

b. Often before a business is started the manager has a lack of appreciation of the need or value of planning. He often lacks information to do planning and does not know how to get the information. Planning is therefore done in a haphazard way or not done at all.

There is need for the manager of a small business to set time aside in the evenings or weekends, or at some other convenient time, to determine the business's future course of action. Postponement of planning is dangerous because failure to plan results in ineffective action. There is no doubt that you cannot leave a customer waiting while you do your planning. You must so arrange your business that the customer will be served and yet you have time to devote to planning.

12. Have students discuss the ease with which planning can be neglected. What are some ways of overcoming the neglect to plan?

13. Read Sections 4 and 5 of the Readings.

4. Types of Planning

Planning for a business operation should deal with all aspects of the business. Planning may be broken down into the following four areas:

a. Planning for sales
b. Planning for profit
c. Planning for personnel
d. Planning for production.

Let us review each of these briefly. We will see that the lessons on the different subjects of the course provide much of the information which is required for planning. This lesson's purpose is not to teach the details of planning; for example, details of financial planning are considered in the Finance, Accounting, Bookkeeping and Personal Finance subject areas. The purpose of this part of the lesson is to discuss the types of planning required by a business.

5. Planning for Sales

The sales or marketing area of a business organization takes in all those activities necessary to influence a buyer to purchase the products or services of the organization.

Answers to the following questions are necessary. Who are the customers for the product(s) or service(s) you offer? What incomes do they have? What are their needs? Is the product(s) or service(s) you offer at a competitive price? How can you influence the customer to buy your product(s) or service(s)? Will better advertising, promotion, service, public relations, salesmanship and display help? Are the quantities and qualities needed by the customer available? How is competition likely to affect you?

The answers to the above questions can be found in the lessons in the Marketing subject. Most businesses at some time will have to plan their sales approach. It must be realized that planning must be done frequently since conditions change. A manager who plans before he goes into business and then no longer plans for sales can quite easily see his sales decrease. Many businesses do not reach their full sales potential because they are not aware of the need for continuous planning. The information required for sales planning may not always be easy to obtain. It may mean searching through government reports, checking with other businesses, checking with specialists or doing some of your own investigation and research. As you will see in a later lesson, the purpose of sales or marketing is to satisfy the customer so he will buy your product or service. Your job is to plan to increase your sales.

14. Discuss Readings. Have students check their list of planning jobs which are on the flip chart. Has each group provided for the various aspects of planning for sales? Discuss.

15. Read Section 6 of the Readings.

6. Planning for Profits

Planning for profits is perhaps better known than other types of planning, because lending institutions often require a financial plan before they lend any money.

Planning for profits means making an estimate of all expenses and revenue of the business in order to arrive at an expected profit.

The review of expenses should foresee all expenses involved. It should also foresee how expenses might be reduced, or whether the expense of a certain operation pays for itself. An example is the expense or cost of home delivery. Does home delivery pay more than the expense involved? If not, the manager will want to consider whether he should continue or start such a service.

The manager will also want to see how he can increase revenue. What will be the effect of an increase in price of products or services? Can sales be increased by sales planning? Can costs of goods be decreased by purchasing in larger quantities? Can new types of merchandise be added to increase revenue?

These are questions to consider in planning for profit. The lessons in the Finance, Accounting, Bookkeeping (FAB) subject will be a great help in planning for profit. They will show you how to prepare statements of expenses and revenue (Profit and Loss Statements) and how to prepare and interpret a Balance Sheet. These lessons will enable you to learn whether or not your business is producing a profit.

The lessons in the FAB subject will also analyze how the money you have in the business is being used. Does the business have enough long-term capital? Does it have enough short-term capital or working capital? In order to plan for profit, you must know where to obtain needed capital at a reasonable rate, and you must learn to analyze whether the capital you have is being used efficiently. Is too much invested in machinery, in inventory, or in accounts receivable?

The lessons in the course will provide the information required to do the planning for profit, and to establish the business policies which are required for continued good management. Questions like the following must be answered. What will be the credit policy of the business? Should the business sell on credit? If so, how much? What effect will too much credit sales have? How much can the business afford to pay the manager or owner?

Although you will learn a lot about planning for profit during the course, you will find that there are many other things you will need to know when you are in business. Learning in business is a life-long job.

16. Discuss Readings. As in previous section, see if students can now add to their list on flip chart for each category of business.

17. Read Sections 7 and 8 of the Readings.

7. Planning for Personnel

Many business managers forget that they need to plan for employees. How many employees are required? How do you find the best employees? How do you select the employee? How do you train the employee for the job? How do you communicate with your employee so that he understands what is wanted of him? How do you maintain good morale in the business? How will you manage your employees? These are all important aspects of planning for personnel.

Since labour costs are one of the highest variable costs, you will want to get the best performance possible from your employees while still treating them fairly. The information for planning for personnel is provided in the Personnel Management subject in this course. As you study each lesson ask yourself, "How can I use the information in this lesson for planning the business?"

8. Planning for Production

Not all businesses are involved in production. But for those that are, planning is essential.

Production is the process of making a product from other materials. For instance, handicraft is a form of production where beads, leather, and thread are combined by using workmanship and talent to produce various handicraft products. Canoe manufacturing and furniture production are other examples of production.

The secret to good production is obtaining the maximum amount of finished products from the least amount of material or labour. You should ask yourself, "Is there a better way of producing that will cut down on working time per unit? Is there a way to cut down on wastage of material?"

Other factors which should be considered in planning for production are:

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a. Is the product what the customer wants?

b. Is the design one which will show workmanship to the best advantage?

c. Is there a good market for the product?

d. Is it possible to produce the quantities required on a regular basis?

e. Is it possible to maintain good quality in all products?

f. Is it possible to produce a number of products (diversification) so that if one product has a decrease in sales, the business will still have sales from other products.

g. Should you produce all products yourself, or should you purchase some products (if it can be done more cheaply)?

h. How much raw material is required? How long does it take to order a new supply?

i. How much inventory of finished product is desirable to meet consumer demand?

j. What production capacity is required? What are the best machines for production? How much automation is required?

k. What is the best location for your production plant? Near the market? Near the labour supply? Near the source of raw materials?

These questions are some of the points that should be considered when planning for production. The lessons in the Production subject will help answer many of these. Some will require looking into various sources of information depending on the area of production in which you are interested.

18. Discuss and complete list on flip chart as suggested previously.

19. Suggest to students that planning involves certain steps. If the students have previously been introduced to the problem-solving process there will not be any problem here. If they have not previously been introduced to problem-solving, they should see planning as a process of solving the problems of the future of the business. The steps to planning are typical of steps in problem-solving.

20. Read Section 9. Stop after each sub-section to discuss and illustrate examples which might clarify the Readings.

9. Steps in Planning

The steps in planning will be familiar to anyone acquainted with problem-solving. (Planning is the solution to business problems.) To be effective the six steps must be carried out in a systematic manner.

a. Identifying the Problem
The first step in planning is to know what problem has to be solved. Until the problem is clear, it is impossible to develop a sound plan which will provide an adequate solution.

b. Collecting and Classifying Information
The collection of facts may come from various sources: your own experience, comparison with other businessmen, government people, consultants or experts such as lawyers or accountants. It is important to check out all information prior to using it in planning.

c. Distinguishing Different Courses of Action
Using your different information you will see ways of solving the problem. These courses of action should be carefully examined, and the advantages and disadvantages of each taken into consideration.

d. Selecting a Course of Action
Following the study of the different courses of action, the manager must decide which is the best for business. One plan may be best if a lot of money is available. The process of selecting a course of action is known as decision-making.

e. Evaluating the Course of Action
The manager will be able to learn from his experience and so improve his ability to make better decisions.

21. Read Sections 10 and 11 and discuss.

10. Planning Time-Periods

Plans in a business are usually made for short-term and long-term periods. The short-term plan may be a matter of weeks, months or a year or two. The long-range plan is a plan for five, ten, fifteen or more years.

A manager should always have a short-term plan for sales, for production, and for personnel as well as a long-range plan which he adjusts as he goes along. He may need a number of short-term plans during the year.

11. Summary

The function of planning is one of the most important functions of management. Without adequate planning the other functions may have little value.

Effective planning requires a disciplined approach. It is very easy to postpone planning because of the day-to-day pressures, or because of the lack of information.

The lessons of the course provide much of the information required to do a good planning job. The manager of a business should not limit his learning to these lessons. He should constantly try to gather more facts and improve his planning skills. An occasional review of this lesson will facilitate the learning of other lessons, since it shows the reason for many of the other lessons in the course.

Indicator

22. Have students work in groups of four or five on the following problem:

    You have just started a tourist outfitting camp which caters to tourists interested in sport fishing. Describe all the areas of planning required prior to starting, as well as those required in operating the business.

23. Have students go into the detail of the business: for example, planning is required for guides: who will they be, what training will they receive, what salaries? What days off do they get? Do they get paid if there are no tourists?

    Students should examine every aspect of the business. The intention is not to have them plan the business, but to list the areas where planning is required. Some areas to consider are: details of expenses, revenues, profit, loan funds, staff requirements, training needs, responsibilities, salaries, location of tourist camp, payment on loan, promotion and advertising. These are some of the areas a manager must plan prior to going into business.

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24. Have students meet in large group. Have them list and discuss their list of planning needs. Review parts of lesson if necessary.

SUBJECT PRODUCTION MANAGEMENT

LESSON PROD1 INTRODUCTION TO PRODUCTION MANAGEMENT

INSTRUCTOR'S GUIDE

OVERVIEW

This first lesson introduces the students to the many aspects of production. In part this is done by a production game which provides insight in production. This first lesson on production management should be conducted even if the decision is made not to give all of the production lessons.

Handicraft products and services and the operation of small scale production plants offer a way for many persons to make extra money or even to enter business for themselves.

Before starting a small production business you should know three things. The first is a knowledge of the product. A person selling handmade leather items for instance, has to know:

1. how to make them, or
2. how to purchase them for resale.

Such knowledge is necessary to ensure value to himself and his customers.

Secondly, the person starting a small production plant must also have a basic knowledge of marketing. Who uses the product or service? What kind of advertising will be necessary to induce them to buy? What is the best price (the one that carries value for the customer and profit for the owner of the business)?

Finally, the owner of a small production plant must have a basic knowledge of sound management. Briefly, sound management means using valid information - facts and figures - to make decisions which will result in profits.

PROD1

Even though the prospective operator of a small production plant is an expert in his or her craft and there seems to be a demand for the product or service, he should not try to go into business without a basic knowledge of management.

This introductory lesson discusses the many things that are involved in production management. The discussion revolves around a listing of questions a manager must be able to satisfactorily answer if he or she is to perform the four managerial functions of planning, organizing, directing and controlling. The student is asked to answer these questions within the context of a production business they know.

The latter part of the Readings discusses the Production Management lessons to follow and contains a brief description of what is contained in each lesson.

The instructor must stress the importance of the areas studied in Production Management whether or not the student is at this time thinking about a production-oriented business. The principles learned in Production Management can be applied in the management of other businesses. And likewise the basic management principles and techniques learned in other sections can be easily adapted to Production Management. The Production Game is used to illustrate many of the managerial skills required in managing production operations.

OBJECTIVE

The student will be able to state (in his own words) what decisions must be made when managing production.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Buffa, Elwood S. Modern Production Management. Toronto: John Wiley & Sons Inc., 1969, pp. 3 - 43.

2. Garrett, Leonard J. and Silver, Milton. Production Management Analysis. New York: Harcourt, Brace and World, Inc., 1966, pp. 1 - 33.

3. Keith, Lyman A. and Gubellini, Carlo E. Introduction to Business Enterprise. 3rd ed. Toronto: McGraw-Hill Company of Canada Ltd., 1971, pp. 260 - 285, 314 - 342.

PROD1

RESOURCES REQUIRED

1. Production Game
2. 1000 cardboard squares or 35 mm slide frames
3. one roll masking tape
4. 6 staplers
5. 6 pair scissors
6. staples.

METHODOLOGY

1. Hand out the Readings.
2. Read Purpose and Introduction.

PURPOSE

The purpose of this lesson is to see what is involved in the management of a production operation. You will also be given an outline of the lessons to follow in the Production Management subject area.

INTRODUCTION

Production means many things. In business, production means making products to sell. A product is something physical.

Just because a businessman can produce a product that people will buy doesn't guarantee his success in a business venture. The production manager must carefully investigate every opportunity for business before spending large sums of money. And, once he has started production of a product he still must control and manage the business. This lesson lists some of the many decisions a production manager must make. In later lessons you will see where the information to make these decisions comes from.

3. Discuss and clarify Purpose and Introduction.

PROD1

OBJECTIVE: THE STUDENT WILL BE ABLE TO STATE (IN HIS OWN WORDS) WHAT DECISIONS MUST BE MADE WHEN MANAGING PRODUCTION.

Stimulus

4. Play the Production Game. Instructions are included in the Production Game at the end of this lesson.

Clarify Problem

5. Have the students summarize the main points they learned from playing the Production Game. List these main points on the flip chart.

Provide Information

6. Read Section 1 of the Readings and discuss.

CONTENT

1. What is Production?

Production means making products to sell. A production business can also be called a manufacturing business.

Another way to look at production is to see production as the means of turning raw materials into finished products. Raw materials are the materials from which the product is made.

Raw Materials	Production	Product
Logs	Cut & plane	Lumber
Flour, yeast, water	Mix & bake	Bread
Leather, beads, thread	Cut, sew, bead	Moccasins

You can see from the diagram above that production is a way of changing raw materials into finished goods.

7. Read Section 2 of the Readings and discuss.

2. What is Production Management?

You can't just hope that raw materials will be available, that the right production methods will be used, and that the right amounts of the required product will be produced. Production Management is the process of planning production and ensuring your production plans are put into efficient operation.

No matter what kind of production plant you operate, you will have to make many decisions. Below are some of the decisions you will have to make.

a. What kind of product will you make?
b. Does the kind of product depend on customer wants?
c. Does the kind of product depend on the skills you have or can hire?
d. Is quality highly important?
e. Does quality depend upon raw materials?
f. Does quality depend upon men and/or equipment?
g. How will you control the quality of your product?
h. How much should you spend for high quality?
i. How much should you produce?
j. Does volume depend upon present markets?
k. How much inventory can you afford to carry?
l. What equipment is required?
m. Is it cheaper to use equipment or labour? Which mix of equipment and labour is most economical?
n. Should you buy or lease equipment?
o. How should you lay out your plant?
p. Will better layout mean more production? Will carefully-planned plant layout increase production?
q. How can work methods be improved?
r. How much does it cost to produce the product at different production volumes?
s. What are the production costs for raw materials, labour, and overhead?
t. Is selling price highly dependent on production costs?
u. What price should you sell at?

These are just a few of the areas you are going to have to make decisions about. This subject is designed to show you how to go about getting information to help you make the decisions.

8. Compare the decisions listed in Section 2 of the Readings with the main points listed about the Production Game (see point 5 above).

9. Read Section 3 of the Readings. This section outlines the topics to be covered in the Production Management area of the Small Business Management Course.

3. The Production Management Lessons

PROD1	Introduction to Production Management
PROD2	What Product Should You Produce? - examines what information you should look at before actually investing your time and money in a production operation.
PROD3	Plant Location - discusses the things that should be examined when deciding where to locate your plant.
PROD4	Plant Layout and Work Simplification - examines the importance of properly laying out the plant, and some of the factors to be considered when drawing up a plan for your plant.
PROD5	Obtaining and Maintaining Equipment - discusses the factors to be examined when deciding what type of equipment to use and how to set up a service program.
PROD6	Quality Control - examines why quality control is important and how to set up quality control check points in the small production plant.
PROD7	Production Costs - examines how to calculate the costs involved in production and what factors can increase and/or decrease the costs of production.
PROD8	Break-even Analysis - examines a method of determining how much has to be produced and sold in order to cover your production costs.
PROD9	Planning and Scheduling Production - examines some of the principles for good planning in order to smooth out bottlenecks in production.

PROD10 Is Production Management Necessary?
- examines how the principles of Production Management fit into the general framework of Management Process.

Indicator

10. Have the students list on the flip chart the decisions which must be made when managing a specific production operation of their choice. (See Section 2 of the Readings for a list of decisions.)

11. Read Section 4 of the Readings.

4. Summary

Production Management uses the managerial functions of planning, organizing, directing and controlling for the purpose of changing raw materials into finished products. The operator of a small manufacturing plant has the same general functions to perform as the manager of a grocery store or an outfitting camp. The functions of planning, organizing, directing and controlling must be performed in all businesses. The purpose for which the functions are performed and how they are actually done can change from business to business.

The manager of a store has as much to learn from the Production Management area as the manager of a small production operation. Likewise the manager of a small production operation should be well versed in as many other areas of business operation as the store manager or outfitter. The areas discussed in Production Management can quite easily be adapted to other management areas.

SUBJECT PRODUCTION MANAGEMENT

LESSON PROD1 INTRODUCTION TO PRODUCTION

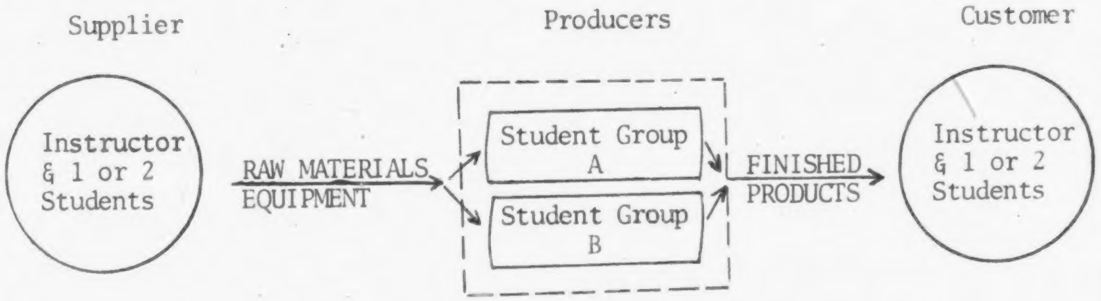
INSTRUCTOR'S GUIDE

PRODUCTION GAME

1. Purpose

To assist in introducing students to the various production decisions, jobs and problems. i.e., to serve as a general stimulus to lessons in the Production Management subject area.

2. General Organization of the Game


Supplier
Producers
Customer
Instructor & 1 or 2 Students
RAW MATERIALS
EQUIPMENT
Student Group A
Student Group B
FINISHED PRODUCTS
Instructor & 1 or 2 Students

a. Supplier's Role

(1) Acts as a source of raw materials and equipment
(2) Determines terms of sale
    e.g. - quantity discounts
         - cash vs time payments
         - interest rates

b. Producer's Role
Each group of students acts as a production unit. They get materials and equipment from suppliers, make the product, set the price and sell to customers.

c. Customer's Role

(1) Acts as a market for the product i.e., the market opportunity.

(2) Buys the product with some haggling over price and quality.

1. Preparation for the Game

Note boxed in X's indicate new decisions introduced at Stage II and Stage III of the game.

DECISIONS TO BE MADE BY STUDENTS	STAGE OF DIFFICULTY		
	Elementary Stage I	Moderate Stage II	Complex Stage III
1. Organizing for Production			
a. Division of labour i.e. allocating work tasks to people.	X	X	X
b. Coordinating work efforts.	X	X	X
2. Purchasing			
a. Contacting suppliers.	X	X	X
b. Deciding what materials and/or equipment & supplies to buy.	-	-	$\boxed{X}$
c. Deciding how much to purchase.	-	$\boxed{X}$	X
d. Handling excess inventory problems.	X	X	X
e. Recording purchase costs.	-	$\boxed{X}$	X

PROD1

3. Producing			
a. Deciding rate of production.	X	X	X
b. Recording production output.	X	X	X
c. Deciding on use of equipment in production process.	-	-	☒
d. Deciding layout and flow of work.	-	X	X
e. Designing product to better satisfy the customers.	-	☒	X
f. Maintaining quality of product i.e. quality control.	X	X	X
g. Recording labour costs.	-	☒	X
h. Calculating production cost per unit of output.	-	-	☒
i. Pricing the product.	-	☒	X
4. Selling			
a. Contacting customers	X	X	X
b. Ensuring product meets needs of customers.	X	X	X
c. Negotiating price of product with customer.	-	-	☒
d. Recording number of products sold.	X	X	X
e. Recording dollar sales volume.	-	☒	X
f. Calculating profits.	-	☒	X

2. Instructions for Playing the Game

NOTE: The following instructions assume that raw materials are cardboard squares or 35 mm slide frames, masking tape and staples; that equipment items are scissors and a stapler. The same instructions will be applied to any other raw materials and equipment the instructor may decide to use.

a. For all stages:

(1) Choose one (1) or two (2) students to assist instructor in roles of supplier and customer.

(2) Choose two groups of 3, 4 or 5 students each to act as production groups.

(3) Any remaining students can act as observers (rotate "participating" students and "observing" students as you play different stages of the game).

(4) Allow groups 5 - 10 minutes to organize themselves after instructor reads and explains them the instructions for each stage of the game.

(5) Set a time limit (e.g., 15 minutes or 30 minutes) on the game.

(6) Instructor may want to play each stage several times before proceeding to next stage.

3. Instructions for Stage I

a. Market Opportunity
Customers (instructor) will show you a model of a box needed for packing their products. Production groups will have the task of making boxes to meet this need.

RULES: (1) Customers will take any number of these boxes that producers can produce in 15 minutes (or whatever time limit is set)

(2) Customers will pay any price producers think is fair.

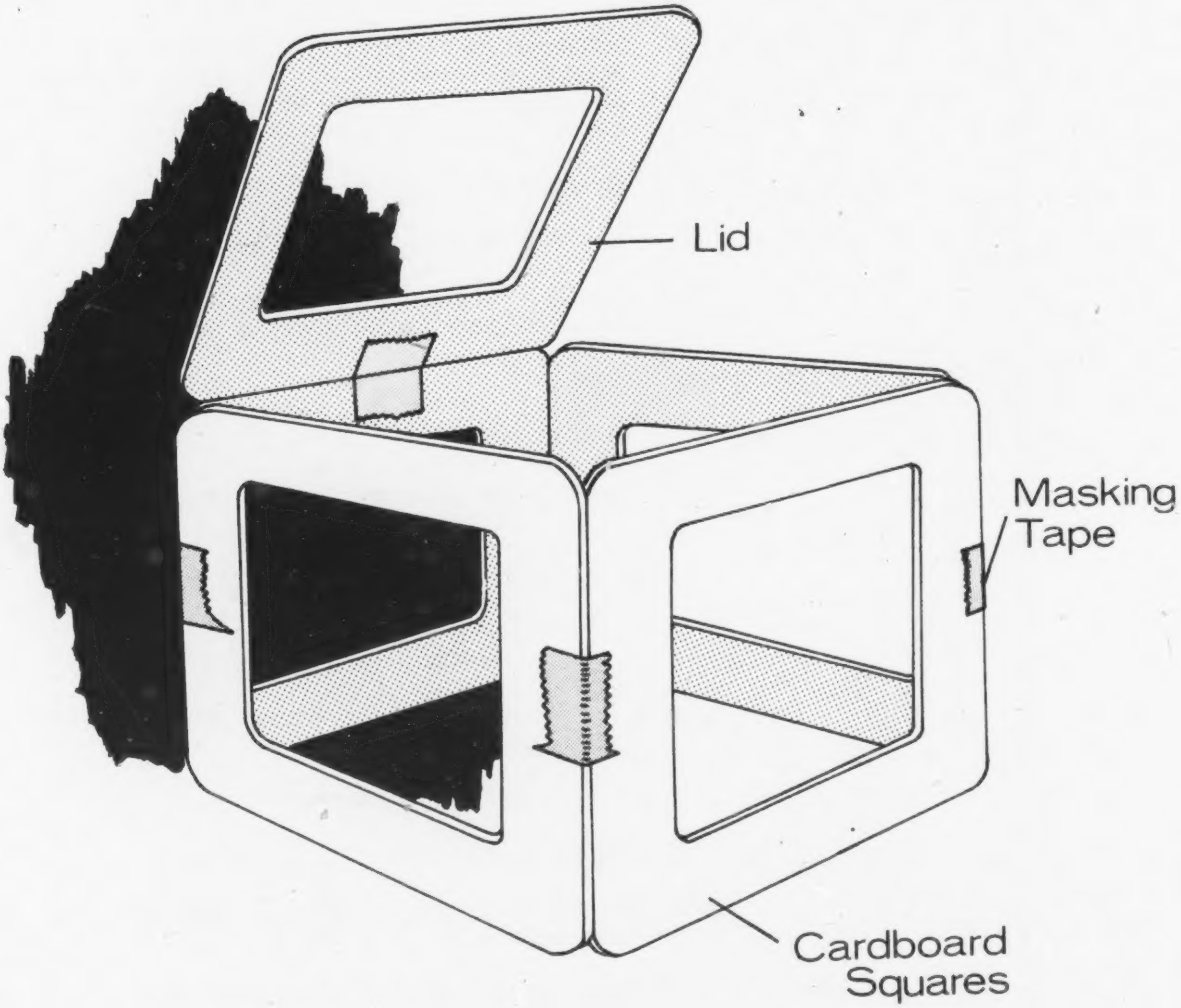
NOTE: The customers may refuse to accept poor quality boxes. Therefore production group should try to make as many high quality boxes as possible. (in the time limit).

Diagram of box is shown on the next page.

PROD 1

PRODUCT (BOX) TO BE MADE

(STAGE ONE OF PRODUCTION GAME)


Lid
Masking Tape
Cardboard Squares

NO EQUIPMENT IS USED

b. Raw Materials

Use only cardboard squares and masking tape for Stage 1 of game.

The instructor will explain the following purchasing rules.

RULES: (1) Students (production groups) can have any amount of raw materials (cardboard squares and masking tape) they think they can use in 15 minutes (or other time limit).

(2) Raw materials are free.

(3) No other materials can be used.

(4) No more raw materials can be obtained once the game is started.

c. Production Process

RULES: (1) Production groups can organize themselves any way they want, e.g.

e.g., - one person do purchasing, one person do selling

- each person make total box

- one person make sides of box, another person put on lid

- appoint a supervisor or work with no supervisor

- use any work layout

(2) Labour is free.

(3) Box is to be made similar to model box customers want.

(4) Boxes should be made as neat as possible, i.e. maintain good quality control.

(5) THE WINNER is the production group that produces the most boxes of a quality that the customer accepts.

4. Instructions for Stage II

Rules are the same as for Stage I except:

a. Raw materials are not free. (Therefore production groups have to be careful as to how much they buy.)

Cost of Raw Materials:

$0.10 per cardboard square
$0.10 per inch of masking tape
Cash payments only
No discounts are given.

b. Purchase costs must be recorded by suppliers and by production groups (no money is used - just keep records on paper).

c. Labour is not free.

Cost of Labour
Each worker in production group gets paid $0.10 per minute. If there is a supervisor he gets paid $0.20 per minute. (Therefore, the more products produced, the lower will be the labour cost of each product.)

d. Labour costs must be recorded by each production group. (No money is paid - just keep records on paper.)

e. Each production group must decide what price to charge for its product.

f. Each production group must keep records of number of products sold and total dollar sales. (Customer will keep records of number of products bought and price paid.)

g. Each production group must calculate profits made from their production business.

Profits can be calculated as follows:

Total Dollar Sales (10 boxes at $2.00 each)=			$20.00
Less: Cost of Sales			
Labour cost: - workers	$4.50		
- supervisor	$3.00		
Total labour cost		$7.50	

Materials cost			
- cardboard	$5.00		
- tape	$2.00		
Total materials cost		$7.00	
Total Cost of Sales		$14.50	$14.50
EQUALS PROFIT			$ 5.50

h. THE WINNER is the production group that made the most profit.

NOTE: Profits will be smaller if:

(1) Product is poor in quality (customer may not buy poor quality products or he may not want to pay a very high price).

(2) Amount produced is small.

(3) Workers work too slow.

(4) Raw materials are left over (excess inventory).

(5) Price is set too low.

5. Instructions for Stage III

Rules are same as for Stage II except:

a. Production groups can buy EQUIPMENT and other materials to help them produce the product.

Cost of Equipment

Stapler - $4.00
Scissors - $2.00

Cost of Other Materials

Staples - $0.50 for a 2 inch length

Diagram of new box is shown on last page.

b. Raw materials, equipment and supplies must be bought on credit from supplier. (The supplier charges 10% interest on money owed to him during each game.)

c. Suppliers have to be paid after production group sells its products to the customers.

d. Suppliers charge less for large quantities of purchases. Their discount price schedule is:

ITEMS	QUANTITY PURCHASED AND PRICE	
Cardboard	0 - 100 squares $0.10 each	over 100 squares $0.07 each
Tape	0 - 30 inches $0.10 per inch	over 30 inches $0.05 per inch
Scissors	one pair $2.00	two or more pair $1.50 each
Stapler	one stapler $4.00	two or more $3.00 each
Staples	Cost $0.50 per two inch length no matter how much is purchased at one time.	

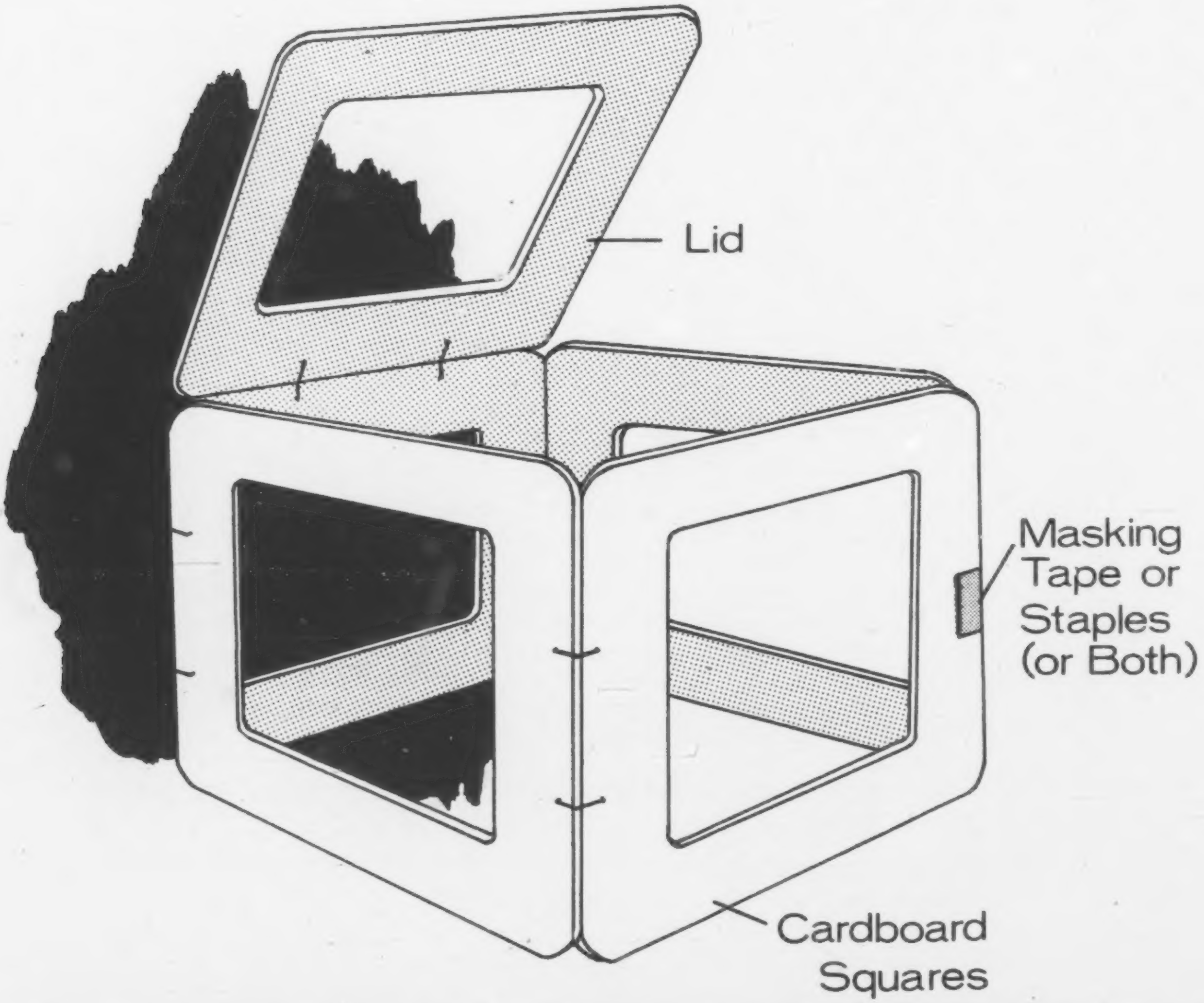
e. Production groups have to set price on all products produced. Price can be different for different types of boxes. For example, boxes made with tape only may sell for more or less than boxes made with tape and staples. Each production group has to decide what price the customer will be willing to pay for each type and quality of product. In other words, producers can negotiate price with customers. Customers may want to buy larger quantities if sale price is lower.

f. THE WINNER is the production group that makes the most profit.

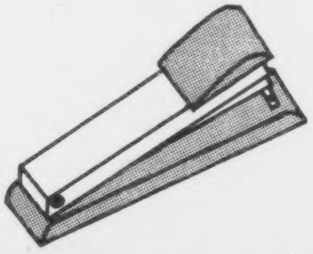
PROD 1

PRODUCT (BOX) TO BE MADE

(STAGE III OF PRODUCTION GAME)


Lid
Masking Tape or Staples (or Both)
Cardboard Squares

Possible Equipment For Use In Production



SUBJECT MARKETING

LESSON MKT1 INTRODUCTION TO MARKETING

INSTRUCTOR'S GUIDE

OVERVIEW

Although most students will have heard the word marketing, the concept, as used in business, may be new. Many people take the distribution of goods and services for granted; little thought is given to the process involved in getting goods to a business establishment nor to the many activities involved in getting them ready for sale. The subject of marketing involves the study of all the processes required to move goods and services from producer to consumer.

Marketing concepts and ideas are difficult to teach unless the students are involved in practical aspects of the subject. The instructor should try to have students do things related to marketing wherever possible. Some exercises are included in the Marketing lessons for this purpose. However, the students' business projects will likely be the most valuable in making them aware of the relevance of marketing concepts. The instructor should emphasize marketing problems when business project review sessions are held.

This first lesson in the Marketing subject introduces the students to the general area of marketing.

OBJECTIVES

1. Students will learn and discuss the meaning of the term 'marketing'.
2. Students will learn some of the jobs involved in marketing.

REFERENCE MATERIAL FOR INSTURCTOR

1. Kelly, Eugene J., Marketing Strategy and Functions. Englewood Cliffs ,N.J.: Prentice Hall, Inc., 1965, chs. 1, 2.
2. McCarthy, E. Jerome. Basic Marketing: A Managerial Approach. 4th ed. Georgetown, Ontario: Irwin-Dorsey Ltd., 1971, chs. 1, 2, 3.
3. Kotler, Philip. Marketing Management. Analysis, Planning and Control. Scarborough, Ont.: Prentice-Hall Ltd., 1967, chs. 1, 2, 6, 7, 8.

RESOURCES REQUIRED

1. Projectuals: MKT 1 - 1, "Definition of Marketing".
   MKT I - 2, "Fish Marketing".
   MKT I - 3, "The Marketing Jobs".
2. Film,"Fisheries of the Great Slave". (20 minutes)
3. Flip chart
4. Overhead projector
5. Movie projector

METHODOLOGY

1. Hand out the Readings; read and discuss the Purpose and Introduction with the group.

PURPOSE

In this lesson you will discuss the meaning of the term 'marketing' and will become familiar with some of the activities involved in marketing. You will be studying and discussing these activities further throughout the course.

INTRODUCTION

To many people, 'marketing' and 'selling' mean the same thing. In this lesson, and other marketing lessons throughout the course, you will find that these two terms do not have the same meaning. You will discover that marketing includes many activities, one of which is selling.

Another mistaken but widely accepted idea is that large firms engage in marketing activities but these activities are too expensive or too complicated for use by small firms. Nothing could be further from the truth. In fact, any businessman, large or small, who fails to understand and do some of the things involved in marketing is inviting trouble - the kind of trouble that can put him out of business.

OBJECTIVE 1: STUDENTS WILL LEARN AND DISCUSS THE MEANING OF THE TERM 'MARKETING'.

Stimulus

2. Ask students: "What does the word marketing mean to you? How would you define marketing?"

Clarify Problem

3. Discuss students' definitions. If there is more than one, ask: "Is there any one of these definitions that is best?"

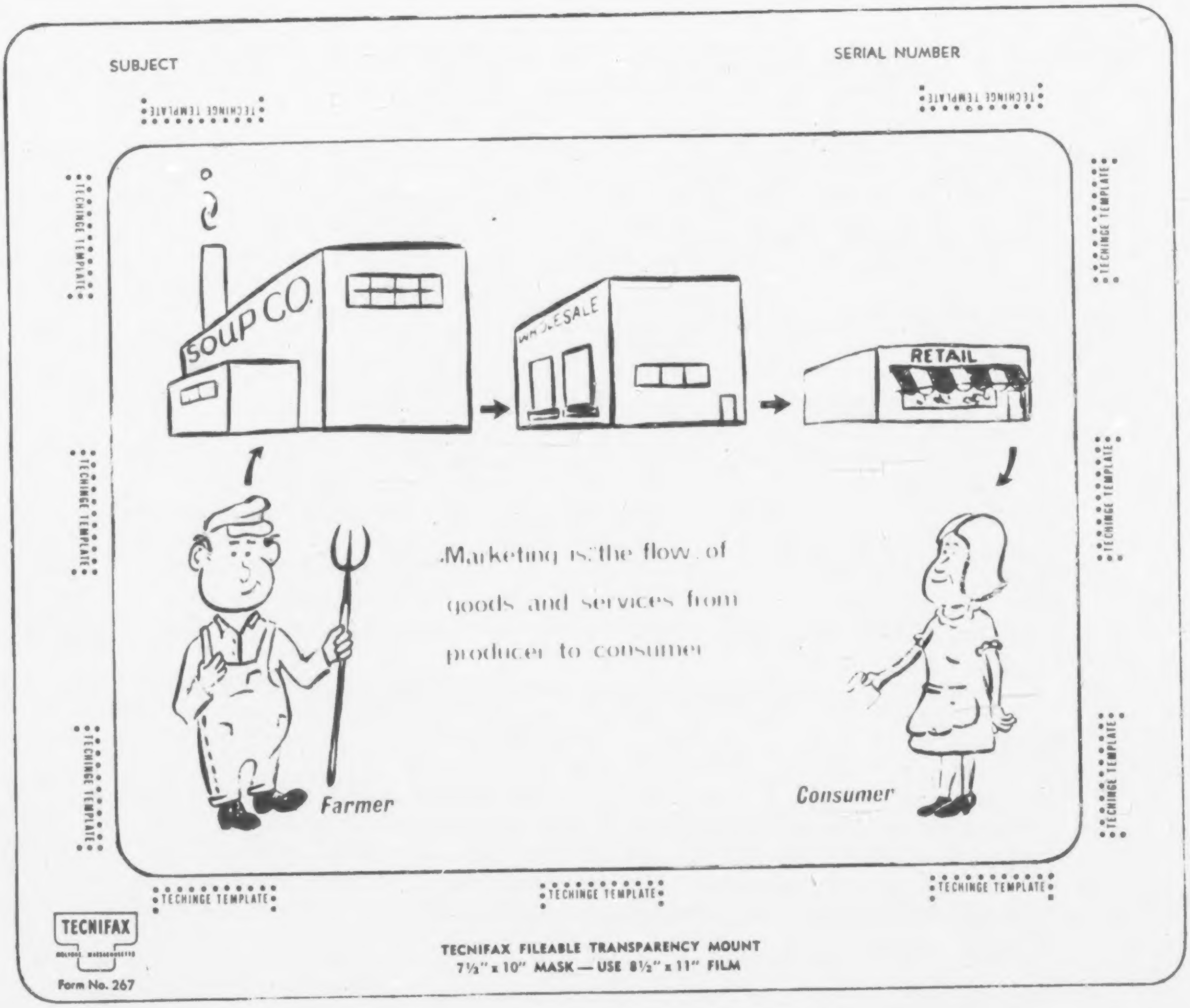
4. Show Projectual MKT1 - 1, "Definition of Marketing". Mention that marketing has a very broad meaning. It refers to all the jobs involved in the movement or flow of goods and services from the producer to the consumer. This projectual illustrates how a can of soup gets from the producer (farmer) to the consumer (housewife). Most products or goods go from the producer to a wholesaler to a retailer before they get to the final consumer. We can call the farmer the producer of raw materials and the soup company the manufacturer (or consumer products manufacturer). The wholesaler is a business that sells to retailers, who in turn sell to the final consumer.

   Discuss each stage of this process with the students. Compare the definition on the projectual with the definitions provided by the students on the flip chart. Point out that the definition on the projectual is very general in nature and that, in the Readings, this definition will be expanded to include other factors that are of importance.

   The student should see marketing as including the following activities: buying, purchasing, transporting, storing and stockkeeping, grading and standardizing, dividing and packing, product planning, pricing advertising, market display, personal selling, financing and market research. Most of these topics will be covered in the Marketing subject area; financing will be studied in the FAB subject area.

MKT1

MKT1-1 DEFINITION OF MARKETING


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
SOUP CO.
WHOLESALE
RETAIL
Farmer
Consumer
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

Marketing is the flow of goods and services from producer to consumer

Provide Information

5. Read Sections 1 and 2 of the Readings. Discuss the different definitions given in the Readings and the projectual. Since the definition is somewhat academic, the instructor may wish to clarify with examples and illustrations.

CONTENT

1. What is Marketing?

Marketing is people-oriented; that is, it focuses on needs and wants of people and the ways in which these needs and wants can be satisfied.

In lesson MP2, "The Individual and His Needs", you discussed the proposition that organizations are formed to help fulfil the needs and wants of the people who make up the organization. When you consider marketing, you discover that a business organization must also serve the needs and wants of its customers if it hopes to survive. In fact, the purpose of business is to satisfy customer needs and wants through the sale of goods and/or services. It is NOT to supply goods or services which MIGHT sell.

You will likely want to take some time to discuss the above description of marketing. Some may agree and some may disagree. Let us hear some opinions.

2. Definition of Marketing

There are many definitions of marketing, but one which corresponds closely to the description in the previous section is as follows:

> Marketing is the performance of business activities which direct the flow of goods and services from producer to consumer or user in order to satisfy customers and accomplish the company's objectives.[1]

The key word in the above definition is 'direct'. Marketing does not take over such things as bookkeeping, accounting, personnel management or production; rather, it provides direction for these activities and functions.

If the business seeks to satisfy customer needs and wants, marketing will, to a large extent, determine how management plans, organizes, directs, and controls the activities of the business firm. In the long run, any business must pay careful attention to customer needs and wants if it hopes to continue in existence.

---

[1] E. Jerome McCarthy. Basic Marketing: A Managerial Approach. 4th ed. Georgetown, Ontario: Irwin-Dorsey Limited, 1971, p. 19.a

6. Show Projectual MKT1-2, "Fish Marketing", and ask one of the students to explain what the projectual means. Help summarize his statements, if necessary; then read Sections 3 and 4 of the Readings. Encourage discussion. Clarify where necessary.

3. Different Types of Consumers

There are two major types of consumers:

a. Final (or End) Consumers
People who buy products or services for their own use or personal satisfaction are final (or end) consumers. They do not buy products or services to sell to anyone else. They use them themselves.

b. Business Consumers
Businesses buy products and services. These products and services may be used to produce other products and services or they may simply be sold to final (or end) consumers. In this sense, any business firm is a business consumer.

4. The Flow of Goods and Services

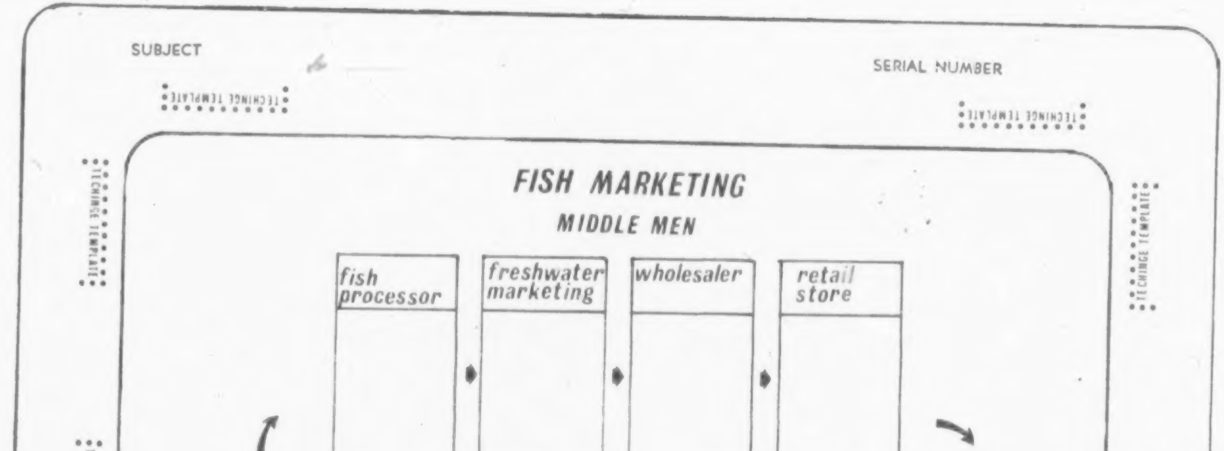
Usually products flow from the producer (or manufacturer) to wholesalers and then to retailers on their way from the producer to the final consumer. Wholesalers and retailers are called MIDDLEMEN. They are given this name because they neither produce or consume most of the goods they buy.

a. A retailer sells things to individuals and families, that is, to final (or end) consumers.

b. A wholesaler sells things to retailers and producers (or manufacturers).

c. A producer (or manufacturer) makes and sells things to people, wholesalers, retailers, or other manufacturers.

MKT1-2 FISH MARKETING


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

FISH MARKETING

MIDDLE MEN

fish processor → freshwater marketing → wholesaler → retail store

PRODUCER (the fisherman)

CONSUMER buys the fish

Fish in Canadian lake → How is the customers need satisfied → Customer in New York

MKT1

> Often services (and products too) are sold directly from the producer to the final consumer (for example, a handicraft business).

Indicator

7. Ask each student to write in his own words why marketing is important and how he would define marketing.

   Allow 10 minutes for this, then have each student read his answers. Ask other students to comment. Clarify any points that are not clear.

OBJECTIVE 2: STUDENTS WILL LEARN SOME OF THE JOBS INVOLVED IN MARKETING.

Stimulus

1. Ask students to suggest as many marketing jobs as they can; that is, jobs that help move goods and services from producers to consumers. List answers on the flip chart .

Clarify Problem

2. Have the students discuss why they feel each job they suggest is a marketing job. How does each job help move goods from producers to consumers?

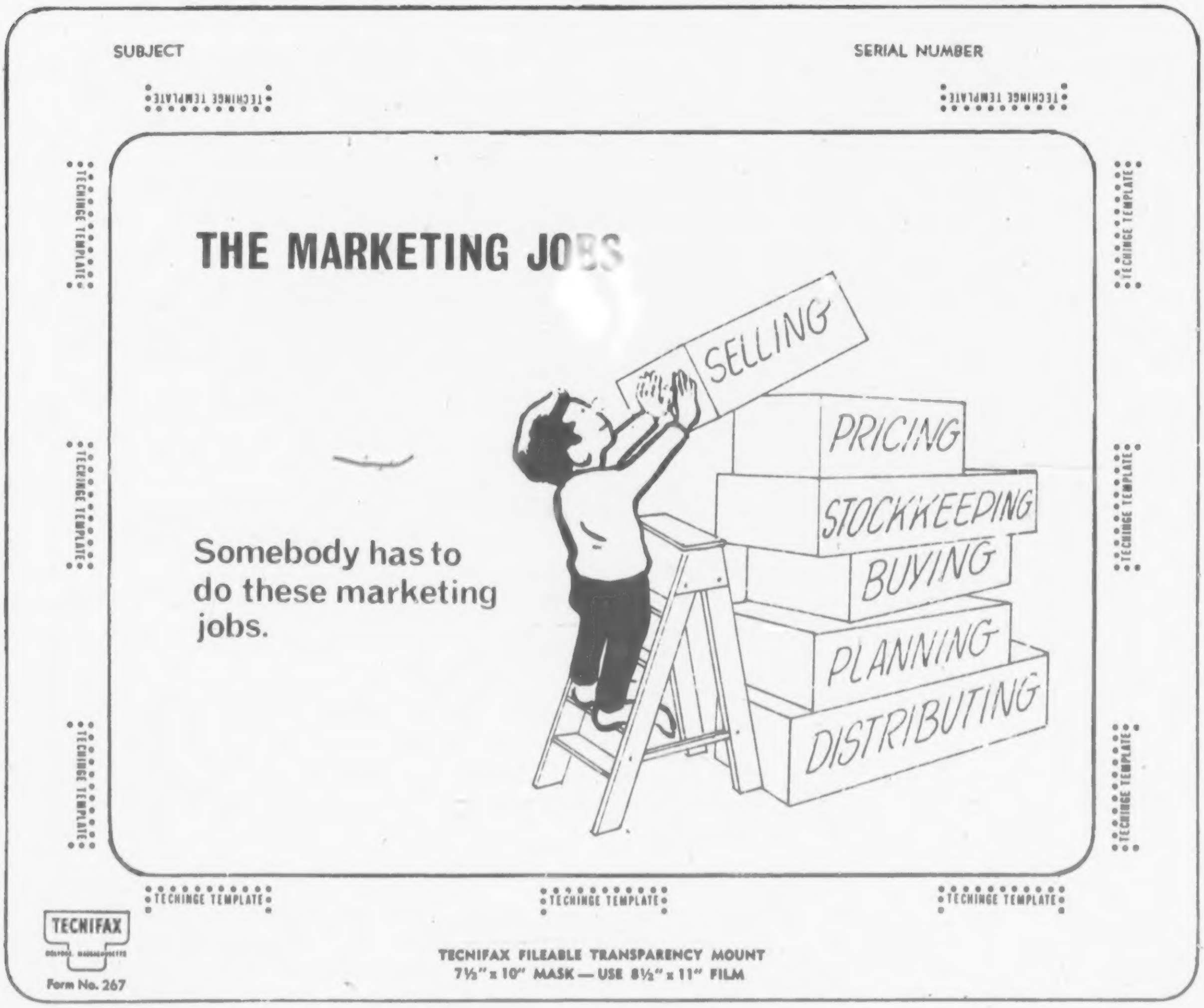
Provide Information

3. Show Projectual MKT1 - 3, "The Marketing Jobs". State that these are some of the main marketing jobs, but that there are others that will be covered in the Readings.

4. Compare the list of jobs on the projectual with the jobs that the students listed on the flip chart. Encourage questions and clarify where necessary.

5. Read Sections 5 and 6 of the Readings. Stop after each topic and point out its importance in the marketing area and in the entire course.

MKT1-3 THE MARKETING JOBS



SUBJECT

SERIAL NUMBER

THE MARKETING JOBS

Somebody has to do these marketing jobs.

SELLING
PRICING
STOCKKEEPING
BUYING
PLANNING
DISTRIBUTING
TECHINGE TEMPLATE
TECNIFAX

Form No. 267

TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

5. Marketing Activities

The following list contains an outline of the Marketing lessons in this course. These lessons describe marketing functions and activities with which every owner-manager should be familiar. Knowledge of these functions and activities is just as important when planning to open your business as it is after the business is operating.

MKTI: Introduction to Marketing
In this lesson we have pointed out some of the things with which anyone engaged in marketing must concern himself. The definition in Section 2 is provided mainly for reference purposes. However, it also serves to point out, very generally, that an owner-manager is engaged in some marketing activities in almost all aspects of his business.

MKT2: What is a Market?
Before you start your business, you should know what makes up a market. This lesson discusses the important aspects of a market. It also examines some of the things that a businessman should know about the customers in a market area.

MKT3: Sizing Up a Market Opportunity
Before you start a business you should do some research to determine if your business has a chance of becoming a profitable operation. This lesson introduces you to some of the steps that should be taken when planning a business venture.

MKT4: The Right Product and the Right Service
Customers expect their needs and wants to be satisfied. This lesson points out the importance of having the right products for sale, and of providing the kind of service that will attract customers to your business in the future.

MKT5: Middlemen
Few people or business firms purchase goods directly from the producer (or manufacturer). Most goods are purchased from retailers or wholesalers. This lesson discusses some of the functions that retailers and wholesalers perform.

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MKT6: Purchasing

Factors to consider in choosing your suppliers are examined in this lesson. As a businessman, you will have to decide when to place an order, how much to order and the proper procedures to follow when ordering. Proper procedures help prevent errors, thereby reducing costs and eliminating unnecessary delays in receiving merchandise.

MKT7: Stockkeeping

The proper handling of merchandise is vital to the success of any business. In this lesson you discuss the importance of checking to see that you have received the proper merchandise and that it is the correct amount and in good condition. You also discuss procedures to follow when storing merchandise. Finally you discuss the need for keeping up-to-date records of all merchandise that is received and on hand.

MKT8: Setting Prices

The price which businessmen charge for their products is influenced by a number of factors. Some of the factors involved are: cost of goods, transportation costs, handling and storage costs, business expenses, and level of profit desired. An additional factor is, of course, competition. This lesson examines the importance of the above factors on price-setting. In addition, you will be shown and have an opportunity to practise different methods of setting prices.

MKT9: Promoting Your Business

Every businessman wants his customers and potential customers to think favourably of his business. Courtesy, service and the right products can help to make your business the type that people will want to deal with regularly. Another thing you can do to increase the number of customers is to promote your business. Radio, television and newspaper ads, sales promotions and in-store displays can all be used to advantage.

You may not use all of these types of promotion in your business, but if you do, this lesson will help you to use them more effectively.

MKT10: Advertising

In this lesson you will study and discuss the various types of advertising.

MKT11: Salesmanship

Customers like good service. Since the owner-manager is often the main salesman in his business, this lesson points out things about selling that can help him do a better job.

MKT12: Merchandise Layout and Display
Did you ever go into a store and end up almost tripping and falling from one display to the next? Have you ever wondered why clothing is displayed in several different places in the same store? The likely reason for both situations is because the owner and/or manager of the store knows very little, if anything, about layout and display.

This lesson suggests that customers should not need a map to find things in your store. A well-planned store layout and neat displays of merchandise can make shopping and handling of goods more convenient.

MKT13: Analyzing Your Market
This lesson suggests guidelines for analyzing your market. In order to analyze your market, you must consider and use many of the things discussed in the previous twelve lessons.

6. Summary

Marketing activities are important whether the business is big or small. You have now been introduced to some of the elements involved in marketing. These elements will be examined in more detail in the remaining lessons in this subject.

Indicator

6. The answers provided by students in point 2 above, and the discussion of the film, "Fisheries of the Great Slave", will indicate whether or not the students have met the lesson objectives.

7. Show the film, "Fisheries of the Great Slave". (20 minutes)
In general, this film illustrates the separation between producers and consumers. It shows the need to transport products to consumers.

a. Summary of Film Content

(1) Narrator talks about history of Great Slave Lake.

(2) Shows rivers flowing into lake and town of Hay River on south shore of lake.

(3) Talks about the fishing industry on Great Slave Lake.

(4) Government started studies in 1944 (best whitefish and lake trout in the world), and in 1945, commercial fisheries began.

(5) Six independent companies operate on lake.

(6) Shows trip of boats to fishing grounds - lifting nets, re-setting nets and return of boats to camp.

(7) Fish are cleaned, dressed, salted, stored, etc.

(8) Largest fishery of its kind in the world.

(9) Fish are packed in shipping boxes.

(10) Fish are then transported to market - by boat to Hay River, loaded on refrigerated trucks, by train to the cities of the east.

(11) Film ends by showing winter fishing operations.

b. Questions for Discussion

(1) "What marketing jobs do the fishermen (producers) do?"

(2) "What different types of transportation were used to get the fish from the producers to the market?"

Instructor should encourage discussion and ask any other questions that help relate the film to the Readings.

SUBJECT MARKETING

LESSON MKT2 WHAT IS A MARKET?

INSTRUCTOR'S GUIDE

OVERVIEW

In lesson MKT1, "Introduction to Marketing", a definition of marketing was given and the students were introduced to the activities involved in marketing. In this lesson, the students look at the different aspects which make up a market. The importance of knowing the customer and satisfying his wants is shown as the essence of marketing. All marketing activities are performed with this concept in mind.

Marketing may take on a different aspect if the students can visualize the customer as KING who must be well-treated if the business is to prosper. The marketing task involves all the activities which will satisfy the customer. In order to facilitiate the satisfaction of the customer, it is essential to know something about him, his wants and needs.

In some communities where there is no competition the customer can be quite neglected. The businessman sometimes takes an attitude of "take it or leave it". This is a poor policy regardless, but when there is competition, a businessman must be conscious of the way he treats his customers. If the customers do not get satisfaction (good products, prices, services, etc.), they will go to the competition. By providing the customer with satisfaction, the business will attract customers from the competition.

OBJECTIVE

The students will be able to define the term 'market' and will discuss some of the things they should know about customers in a market area.

MKT2

REFERENCE MATERIAL FOR INSTRUCTOR

1. Kotler, Philip. Marketing Management. Analysis, Planning and Control. Scarborough, Ont.: Prentice-Hall Ltd., 1967, ch. 4.
2. McCarthy, E. Jerome. Basic Marketing: A Managerial Approach. 4th ed. Georgetown, Ontario: Irwin-Dorsey Ltd., 1971, ch. 6, 8.

RESOURCES REQUIRED

1. Flip chart.
2. Projectual MKT2-1, "What Is a Market?"
3. Case MKT2-1, "White's Hardware"
   MKT2-2, "Paul's Problem"

METHODOLOGY

1. Hand out the Readings.
2. Read the Purpose and Introduction with the group. Discuss any questions the students may have.

PURPOSE

In this lesson we will discuss what things are necessary for a market to exist. We will then discuss some of the things that you should know about your customers and potential customers when you start a business.

INTRODUCTION

Remember, the purpose of business is to satisfy customer needs and wants. It is NOT to supply goods and services which MIGHT sell. Therefore, before you start a business or engage in marketing activities you must determine whether a market exists for your product.

In this lesson we will discuss the elements that make up a market. When starting a business, you should check for these elements - without a market your business cannot possibly succeed.

In addition to knowing what makes up a market, you should also know some things about the customers in your market area.

OBJECTIVE: THE STUDENTS WILL BE ABLE TO DEFINE THE TERM 'MARKET' AND WILL DISCUSS SOME OF THE THINGS THEY SHOULD KNOW ABOUT CUSTOMERS IN A MARKET AREA.

Stimulus

3. Hand out Case MKT2-1, "White's Hardware", and read with the students.

Clarify Problem

4. Discuss the questions at the end of the case. Use the flip chart.

   a. Question 1: "Why did White's Hardware fail?"

      Answer: Basically, there was no market. Mr. White didn't manage things very well (giving out too much credit), but even the best manager couldn't have made the business a success. There was no room in the town for another hardware store. There was no market; there weren't enough people with the need, the ability to buy and the willingness to buy hardware items. The established hardware store had most of the market. A second store only got the high risk customers.

   b. Question 2: "What should Mr. White have done before he started the business?"

      Answer: He should have studied the market situation. Students may make other suggestions which should be listed on the flip chart and discussed. At the end of this lesson, students will be in a better position to answer this question. The instructor should come back to this case later on.

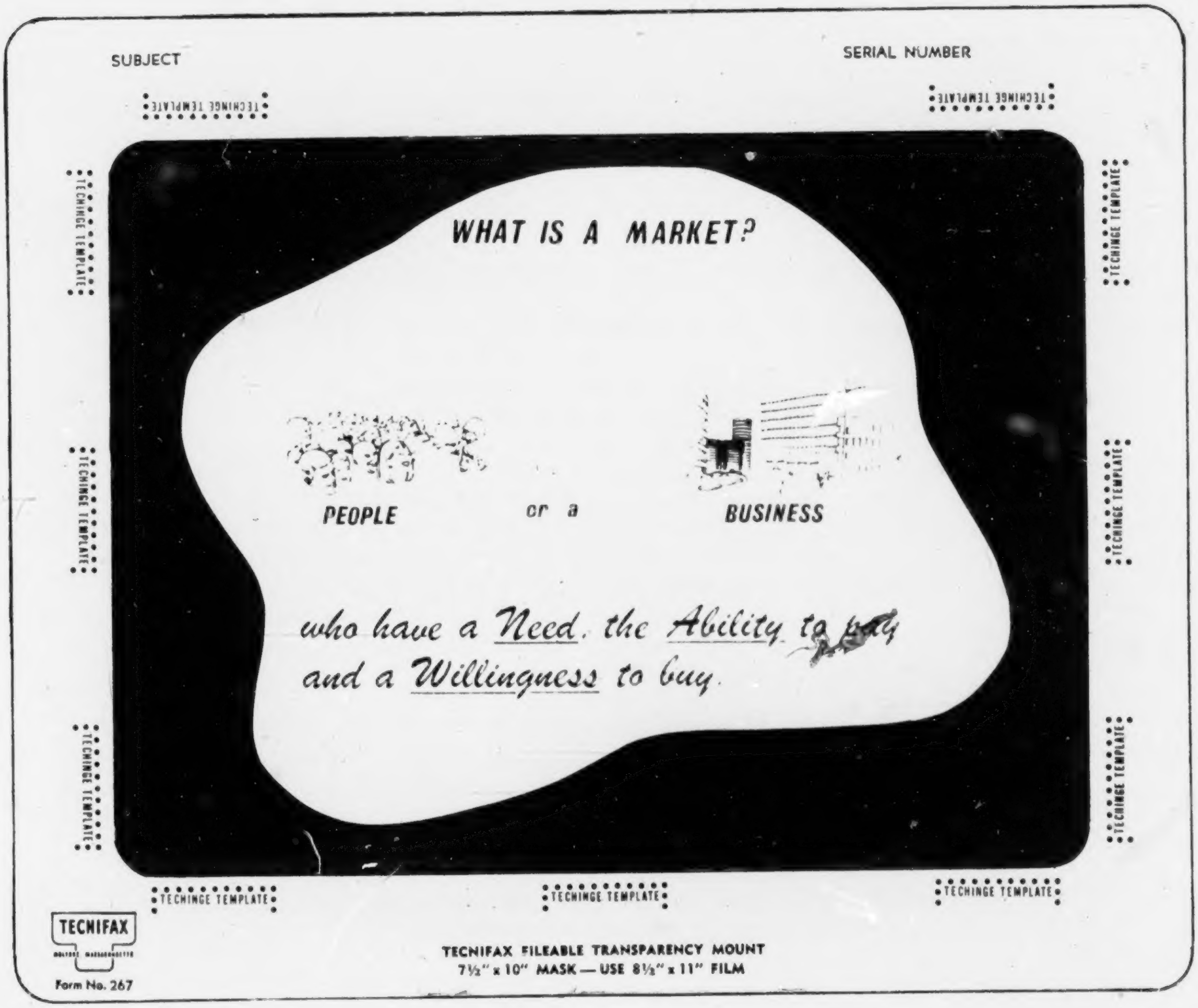
      NOTE: This case will be further analyzed in lesson MKT3, "Sizing Up a Market Opportunity".

Provide Information

5. Read Section 1 of the Readings. Show Projectual MKT2-1, "What Is a Market", while going over the Readings. Discuss the Readings, referring to the case study just completed.

MKT2

MKT2-1 WHAT IS A MARKET?



SUBJECT

SERIAL NUMBER

WHAT IS A MARKET?

PEOPLE or a BUSINESS

who have a Need, the Ability to pay and a Willingness to buy.

TECHINGE TEMPLATE
TECNIFAX
Form No. 267

TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

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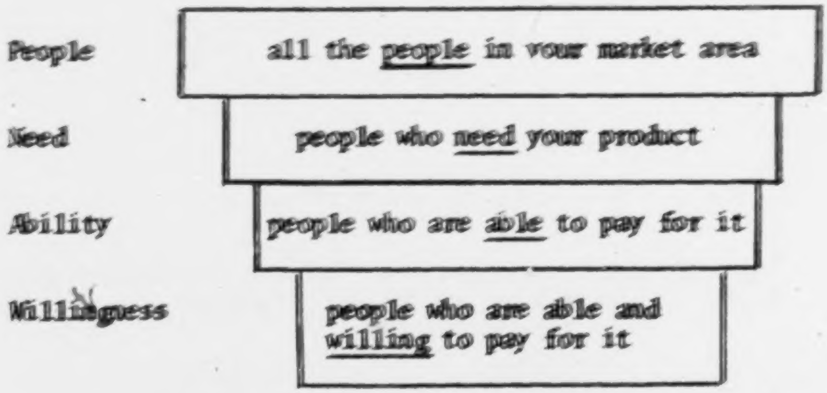
CONTENT

1. What is a Market?

Every business sells (or markets) some type of product(s) or service. The market for any type of business is made up of the following:

a. People who need (or want) the product(s) or service.
b. People who are able to pay for the product(s) or service.
c. People who are willing to buy the product(s) or service.

Therefore, the market for your business is not all the people in your town or community. The real market for your business is the people who need your product and are willing to pay for it. We can picture this as follows:


People
all the people in your market area
Need
people who need your product
Ability
people who are able to pay for it
Willingness
people who are able and willing to pay for it

In deciding on what your market is, you have also to see if any other businesses (competitors) are trying to satisfy this same market.

Remember you can't expect to sell to everybody. There might be lots of people in the community where you want to start your business, but ask yourself,"How many of these people need my product? How many can afford to buy it? How many will buy it? How many competitors will I have?" Then if you think the market is big enough, you may decide to go ahead with the business.

6. Ask: "What information should you gather about your market?" "What should you know about your customers?"

List students' suggestions on flip chart and discuss. Encourage students to think of the things they need to know about the customers in their market before they start their business. For each suggestion made by students, ask: "Why do you think it would be important to know this?"

7. The instructor may wish to aid students by outlining the following on the flip chart.

	Who	What	Where	When	How	Why
	your consumers are	they want to buy	they want to buy it			
Why Should You Know These Things?						

8. Read Sections 2 and 3 of the Readings. Discuss each section and relate to the case on Mr. White's Hardware.

2. Things You Should Know About the Customers in Your Market Area

Before you start up your business you should know the following things about your customers:

a. Know WHO the Customers are
No product or service is bought by everyone. All people are not customers of the same business. You should think of your customers as belonging to various groups, each group made up of people having common characteristics. For example, grouping may be as follows:

(1) People who are about the same age
(2) Males
(3) Females

(4) Those with similar jobs
(5) Those with about the same level of income
(6) Those with a similar number of children.

This is called dividing or segmenting your market. For example, if you started a shoe store you might divide your market into children, teenagers and adults. Probably you would also divide it into males and females.

b. Know WHAT the Customers want
Thinking of your customers as belonging to (or being part of) certain groups can help you to determine which products they want or need. Consider the shoe store example again. If your market is made up of a great many older people, they are not as likely as younger people to want the latest fashions in shoes.

Grouping your customers can also help you to determine how much of each type of product to order.

c. Know WHERE the Customers buy
Where do the people buy their products now? Will they be willing to buy from your business? Does the customer want to buy at a retail store which has many different types of goods (for example, a general store), or does the customer buy from a store which sells only certain kinds of products? Perhaps the customer buys from a wholesaler? These are questions you must investigate.

d. Know WHEN the Customers buy
Does the consumer buy:

(1) daily?
(2) weekly?
(3) monthly?
(4) only once in awhile?

The answer to these questions will help you plan how much of each product to have on hand. It will also tell you when to order from suppliers, when to advertise, etc.

e. Know HOW the Customers buy
Will the customer look at your prices, then check at your competitors? Does the customer pay cash or will he want credit? Does the customer read and listen to advertising before he buys?

The answers to these questions will help you when you are setting prices and credit policy, as well as when you are making your advertising plans.

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g. Know WHY the Customers buy
People buy because they want to:

(1) Use the product or service. (Utility reasons)

(2) Add to their wealth. (Investment, status symbol)

(3) Point to a product and say, "That's mine."
(Pride of ownership)

(4) Increase their security and safety. (Protection or Insurance reasons)

(5) Be like somebody else. ("Keep up with the 'Jones',"
fashion reasons)

Business customers might buy for other reasons as well. Can you think of some?

3. Summary

By knowing who the customers are in your market area, and how, when, what and why they buy, you can plan to give them what they want at a fair price; you can plan your promotion; you can plan when to buy from your suppliers.

You should not rush in and start up a business until you know something about your market. Your business may fail because you have not checked things out in advance.

Indicator

9. Hand out and read case MKT2-2, "Paul's Problem". Discuss question at end of the case.

It is important that students see that there is more to marketing than placing goods on a shelf. They must see that some planning is required to give the right product or service to a customer.

SUBJECT MARKETING

LESSON MKT2 WHAT IS A MARKET?

CASE MKT2 - 1

WHITE'S HARDWARE

Mr. White was a young school teacher in a small Canadian town. After moving to the community, Mr. White made many friends, was apparently well-liked and had joined in community activities. Mr. White wanted to make more money, so he thought he would start a business. He was encouraged by his wife to try a way of life that would bring more income than teaching.

In 1967, Mr. White heard through a friend of a stock of hardware for sale in a neighbouring town. The owner of the store had died. For $2,000.00, Mr. White was offered an inventory of hardware items. Investigating the possibilities in his home town, he found that he could rent a vacant store building between two retail businesses. One of these businesses was a feed store, and the other one was a long established hardware store owned by a smart middle-aged businessman. Although a local banker told Mr. White not to leave his job as a school teacher, he took his savings of $2,000.00 and entered the hardware business.

Other businessmen in the town didn't think the new hardware dealer's chances of success were very good. One of the local retailers said there wasn't room in the town for two hardware stores.

Upon opening his store, Mr. White placed a sign in the window stating: "This store is open for business - hours six a.m. to ten p.m. The owner will do business outside of regular business hours." Mr. White thought that in this way he could compete with the established hardware store next door.

During weekdays, Mr. White's hardware store was the only place of business in town open after six p.m. However, the long hours during which the hardware was kept open were hours of quiet, uncomfortable leisure for the owner. Mr. White didn't make too many sales.

The only customers that Mr. White attracted were a few poor credit risks, who purchased small items from the new hardware on credit rather than paying cash in the established store. The school teacher-turned-businessman soon discovered that his stock was down, that he had no cash with which to purchase new stock, and that he couldn't borrow any more money to keep the business going.

With competition from the established hardware next door, Mr. White's business lasted only eighteen months. There had never really been much of a chance for success. The market for hardware items in the town was too small to support two hardware stores. Even the best manager could not have made a success of White's Hardware.

Mr. White wished he had checked into things more carefully before he started the business. Maybe the pay for teaching wasn't so bad after all.

Questions for Discussion

1. Why did White's Hardware fail?

2. What should Mr. White have done before he started the business?

SUBJECT MARKETING

LESSON MKT2 WHAT IS A MARKET?

CASE MKT2 - 2

"PAUL'S PROBLEM"

Last year Paul Johnson took over as manager of a Co-op store which sold groceries and dry goods. He had worked as a clerk in the store for two years and this was his first experience as a manager.

The Co-op store was located in a small town quite far from other settlements. Most of the people who lived in the town depended upon trapping and fishing for a living. There were a few tourist camps which operated during hunting and fishing seasons, and which employed some of the men of the town as guides. Some of the women worked as helpers and cooks at these camps. Also there were some government jobs but they didn't last the year round.

There was one other store in town which sold groceries, dry goods and hardware. This was Logan's General Store. The owner, Jacob Logan, had lived in the town for many years. Logan's prices were slightly higher than the Co-op but many people still bought their supplies there. Logan operated on a "cash only" basis. Logan stayed open till after supper and he also opened up if people needed supplies on Sundays.

One evening, Paul was talking about his business with Peter, his brother. "You know, Peter, I have been thinking about getting the Board of Directors to okay a plan to build onto the store. I think that is the only way we can make this business pay for itself. Sales were down from what I thought they would be and we had a loss on total operations."

Paul mentioned that his competition from Logan shouldn't have hurt his business as much as it did. "A lot of people here in town stop in at Logan's just to sit around and talk, but don't seem to buy anything. I don't allow people to just sit around in my store. The store is a place to buy things, not to meet friends. If people want to sit around and talk they can go someplace else. When people aren't buying they just get in other people's way.

"Also, I don't think that I should have to open up at special times for anybody. After all, everyone knows the store hours are 8:00 a.m. to 6:00 p.m. Those have been the hours for as long as I've been here and I don't see why I should change them. Sure, some of the men don't get back from the lake till late at night but they can still wait till morning to buy their supplies.

"Say, Peter, you know those fancy shirts I had sent in special. I got a real deal on them. Thought I would really sell a lot of them. Seems people here don't like fancy clothes. The guy I ordered them from said that in the big cities they can't get enough; sell them as fast as they put them on the counters. No sir, I sure can't understand why I didn't sell any.

"Now you look at those big tin boxes I used to sell. I ordered only a dozen because I couldn't figure out why anyone would want them. Boy, they sold out in a week - the guys use them to put their tools in so they don't get lost or get in the way. People still ask me about them. I bet I could have sold five dozen that month but they're too hard to handle in the store. They take up a lot of space and they don't really sell at a very high price.

"And do you know that foodstuffs haven't really been selling that good lately? Jacob Logan says that he's doing a real good business selling food supplies. Not too many people are buying a lot from us, but I guess that will change when tourist camps start stocking up for the coming season and people get ready to go out fishing. Logan sells at a higher price but he gives a discount to people buying big orders. I guess that might sell a lot of stuff but I don't think it's a good idea. Nope, anyone who buys from us has to pay the same price as everyone else; otherwise it's not fair to people. It doesn't matter how much they buy, I'll still charge the same. And I don't think that I should put in special orders every year when the big orders from the camps come.

"Nope, if those people want to buy here they have to pay the same as anyone else and if I'm out of something, tough luck.

"You know, Peter, the only way we're going to keep this store going is to build it bigger. That way we can get a large variety of goods in. There's a lot of new products I can get which I bet will really sell."

Questions for Discussion

1. Does Paul have a problem? If so, what type of problem is it and what are the causes?
2. Suppose you are a business consultant. You are called in to evaluate this situation and to prepare a report containing your recommendations regarding things that can be done to improve business.

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MKT2

Prepare a written list of the information that is in the case which would help you evaluate the situation. Prepare a written list of additional things (not included in the case) you would have to know or find out about the community and the business in order to fully evaluate the situation. Write out whatever recommendations you can from the information given.

SUBJECT MARKETING

LESSON MKT3 SIZING UP A MARKET OPPORTUNITY

INSTRUCTOR'S GUIDE

OVERVIEW

In the lesson MKT1, "Introduction to Marketing", the students were introduced to the concept of marketing. They saw that marketing consists of all the activities involved in moving goods from the producer to the consumer. In lesson MKT2, "What Is a Market?", the students learned that the existence of a market requires people or other businesses who have a need for products and services, the ability to pay for them and a willingness to buy them. This lesson studies the steps involved in sizing up a specific market; that is, checking the potential of a specific business in a specific town or community.

The lesson covers a large area of marketing. It will be necessary for the instructor to go over the Readings carefully and thoroughly and to illustrate the steps with examples to ensure that the students grasp the content.

At this point in the course, the students are familiar with a simple accounting system. The instructor should relate the forecasting of sales, costs and profits to the Profit and Loss Statement. In later lessons, the students will have an opportunity to study projected statements which are really the same as the forecasting mentioned in this lesson.

This lesson is quite lengthy; the students may need a break between the different sections.

OBJECTIVE

The students will be able to list and carry out the steps to be used

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in sizing up a market opportunity.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Archer, Maurice. An Introduction to Canadian Business. Toronto, Ontario: McGraw-Hill Co. of Canada Ltd., 1967, ch. 47.
2. Kelley, Eugene J. Marketing Strategy and Functions. Englewood Cliffs, N.J.: Prentice-Hall, Inc.; 1967, chs. 3, 4, 5.
3. Kotler, Philip. Marketing Management: Analysis, Planning and Control. Englewood Cliffs, N.J.: Prentice-Hall, Inc.; 1967, chs. 1, 2, 6, 7.
4. Broom, Halsey N. and Longenecker, Justin G. Small Business Management. 2nd ed. Cincinnati, Ohio: South-Western Publishing Co., 1966, pp. 208 - 235.
5. McCarthy, E. Jerome. Basic Marketing: A Managerial Approach, 4th ed. Georgetown, Ontario: Irwin-Dorsey Ltd., 1971, chs. 1, 2, 3.
6. Steinmetz, Laurence L., Kline, John B. and Stegall, Donald P. Managing the Small Business. Nobleton, Ontario: Irwin-Dorsey Ltd., 1968, pp. 337.

RESOURCES REQUIRED

1. Projectual MKT3-1, "Steps in Sizing Up Your Market"
2. Case MKT2-1, "White's Hardware"
   MKT3-1, "Locating a Store"
3. Flip chart
4. Tour of selected small retail businesses. Students should look at the businesses with an eye to marketing activities. Arrange, if possible, for students to be able to discuss and ask questions about what they have seen with the manager. Have the students prepare for the tour by brainstorming and discussing the points they will look for.

METHODOLOGY

1. Hand out the Readings, and read the Purpose and Introduction.

PURPOSE

In this lesson you will discuss the five steps that you should use to determine if it will be profitable to start up your own business; that is, you will study the five steps in sizing up a market opportunity.

INTRODUCTION

Is it necessary to thoroughly investigate a market opportunity before going into business? In a legal sense, the answer is 'no', but for your own benefit, it is wise to do so. If you do not examine the market before going into business, you may discover that there is no market - the result is usually business failure.

The purpose of market investigation is to obtain information which will help increase your chances of success in a particular business. Therefore, your aim should be to start the right kind of business in the right location. The best way to do this is to investigate several market opportunities to see which one is the best. Perhaps a different type of business or a different location would be better for you. Perhaps it would be better for you not to go into business at all, but to work for some firm or institution. These questions should be investigated before you start a business. It pays to do any research that will increase your chances of success.

OBJECTIVE: THE STUDENTS WILL BE ABLE TO LIST AND CARRY OUT THE STEPS TO BE USED IN SIZING UP A MARKET OPPORTUNITY.

Stimulus

2. Refer students back to case MKT2-1, "White's Hardware", and ask: "What steps should Mr. White have gone through to size up the market opportunity for hardware items before he started his business?"

Clarify Problem

3. Record the student's answers on the flip chart; then have the students arrange the steps in the order in which they should be carried out. If students are having difficulty suggesting steps

to be followed, ask: "What steps should you go through in sizing up the market opportunity for your business?"

Provide Information

4. Read and discuss Section 1 of the Readings. Emphasize the importance of knowing whether or not there is enough business (customers) in the area before starting the business.

CONTENT

1. Sizing Up Your Market

Before you start a business, you should do whatever you can to determine whether or not the business will be profitable. To do this, you should know if the market is big enough, if there will be enough customers, what volume of sales you might expect, if there is competition, etc. You should determine approximately how much it will cost to start and operate the business.

By subtracting projected costs from projected income, you can get some idea whether or not the business will be profitable, and if the market opportunity is worthwhile. For example, if you find that there is a poor market opportunity - few customers, few sales, lots of competition, etc. you will not try to start tha particular business in that location.

There are five steps you should use to determine the profitability of a potential business.

5. Read Section 1. a of the Readings.

a. Step 1: Deciding on the Type of Business
The three major types of business that you must choose from are:

(1) Merchandising Business
This type of business buys finished products from wholesalers or manufacturers and retails (or wholesales) them to others for consumption (or resale). For example, if you start a grocery store, you will be engaged in a merchandising business. You

will be buying products and selling them to consumers.

(2) Service Business

This type of business offers special services to consumers, merchandisers, or even to manufacturers. It renders this service in exchange for a fee. For example, if you start a taxi business, you will be providing a service to both consumer markets (the public) and to business markets (delivering goods).

(3) Manufacturing or Processing Business

This type of business receives materials in one form, works on them and distributes them in an altered form. For example, if you cut pulp and sell it to a pulp mill, you will be engaged in a manufacturing business. You will be producing a product (pulpwood or logs) and selling this product to a business market (the pulp mill). Or, if you make and sell popcorn on a street corner, you will also be engaged in a manufacturing business.

Which type of business are the following: a handicraft shop, barber shop, dry cleaner, hardware store, shoe store, and service station?

Three of the most important questions to ask when deciding what type of business to start are:

(1) Is there a NEED for this type of business? Does a market exist?

If you have lived in or near a certain community most of your life, you may feel you know the needs of the people there. As a result, you may consider a survey of the market unnecessary. However, according to the definition of a market, the people must not only need your products but they must be able and willing to pay for them. For example, people may need shoes and may have the money to pay for them, but if the shoes are priced at $35.00 they may not be willing to pay that high a price. Thus, a need may exist, but there may be no market. In other words, people are not willing (choose not to) or are unable (they lack the finances) to act on certain needs.

You can determine if a need for your type of business exists by interviewing or talking to the people in the area. Do they use the product or service? Where do they purchase it? Would they prefer to purchase locally if they could?

An additional reason for evaluating a market opportunity is that this information is necessary if you apply for a loan or grant. Is the market stable? Is the demand for the product or service increasing or decreasing? Is the demand likely to change greatly in the future? A lending agency will want facts and figures before it will approve a loan or grant.

If there is little need for the product or service you want to sell, you will have poor sales, your business may fail or it may not give you as much profit as you want or need.

(2) Do I have the SKILLS to run this type of business?
Before deciding to go into business, you must carefully analyze your personality, leadership ability and technical skills. If you do not have the skills to operate a particular type of business, perhaps you should consider another type of business, or work for someone else to gain experience.

(3) Do I have, or can I obtain, sufficient FINANCING to start a business?
Financing is a vital consideration when starting a business. You must make arrangements for sufficient finances to operate the business properly and to cover any unexpected expenses that may arise, before you start a business.

Your business is almost certain to fail if there is little or no market for your products or services, if you lack the skills necessary to operate a certain type of business, or if you lack adequate financing; therefore, choose a business for which there is a need and for which you have (or can obtain) the necessary skills and adequate financing.

6. Answers to type of business: handicraft shop: production and merchandising; barber shop: service; dry cleaner: service; hardware store: merchandising; shoe store: merchandising; service station: service and merchandising.

7. Ask students: "How many of you have more than one type of business in mind which you might start up? Is there a NEED for this type of business? Do you have the SKILLS to run this type of business?"

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8. Read Section 1, b of the Readings; discuss each sub-section.

b. Step 2: Choosing a Location

Choice of a location for your business is an important factor in its success or failure. A poorly-run business can often survive in a good location, but even the finest business will fail in a poor location.

There are two important aspects to consider in choosing a location for a merchandising or service business. (Choice of a location for a manufacturing business will be discussed in lesson PROD3, "Plant Location".)

(1) You will have to choose a particular community in which to locate your business. Your choice will depend on several factors:

(a) Personal Factors

You will have to determine whether or not you want to be near friends and relatives, or in a community where you are unknown. Do you prefer a rural area, village, town or city? In which region or part of the country would you like to locate. Does your health require you to locate in a particular climate?

(b) Economic Factors

You will want to locate your business in an area where customers have regular incomes over the long run. Are jobs available locally or do workers have to leave the area to find employment? Is employment seasonal or regular? Are there good road and transportation facilities into the area? What is the volume, or potential volume, of sales?

(c) Competition

You will have to evaluate the competition, if any, in both the immediate and surrounding area. If similar businesses are serving the same market, there may not be sufficient sales for all to continue operating. Is the need currently being met? Does another business in the community or nearby handle the same products or services? Do current businesses specialize or do they handle many products or services? You will also want to determine the amount of money currently being spent on the products or services, or how much would be spent if the products or services were available locally. If the need is being met, you will need to know what percentage of sales volume goes to each competitor.

(2) You will have to choose a site within the community. Your choice will often depend on the size of the community.

In a city you have to determine whether you want to locate in the downtown area or in an outlying or suburban area. In a town, village or small community, location is much easier to determine. There is usually a central location which is the most convenient for your customers, and you would probably choose a site in or near this location.

Can you list other factors that you should consider before deciding where to locate your business?

In making a final decision on location, you should weigh the advantages and disadvantages of each of the factors listed above. You should avoid making a snap or emotional decision. One location may have a better market opportunity than another. In lesson MKT13, "Analyzing Your Market", you will discuss location factors in more detail.

9. Hand out and read case MKT3-1, "Locating a Store". Discuss the question at the end of the case. Ask students to vote on which is the best location, and to give reasons for their choice.

   Ask: "What are the advantages and disadvantages of each location?"

10. Discuss the pros and cons of being known in the town versus being a stranger in the town. Put the following table on the flip chart for discussion.

You can start a business in a town where you know the people and they know you.		You can start a business in a town where you do not know the people and they do not know you.	
Advantages	Disadvantages	Advantages	Disadvantages
If the people like you, they will come to your store. You will know which customers you can trust and which you cannot. You will not have the problems of adjusting to a new town.	People may take advantage of you because they know you People may be upset if you do not give them credit. You may have a hard time saying 'no' to the people.	People will not take advantage of you. If you are careful, you can make friends and build up a good business.	You are a stranger. People may not trust you. You do not know which customers you can trust and which you cannot.

11. Discuss the decision a businessman has to make about what part of town would make the best location for his store. Ask:

    a. "What are the pedestrian traffic patterns in the town?"

    b. "Are other businesses near by?"

    c. "Will the business be conveniently located (close to parking, bus stop, or close to where the people live)?"

    d. "Is there enough room for expansion?"

    Ask students to list other factors.

12. Read Sections 1. c, d, e and 2.

c. Step 3: Forecasting Your Sales
Sales forecasting means estimating the size of your market; that is, how much of your product or service you can expect to sell in the future. Before starting a business, you must estimate what share of the market you

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can expect to get in order to determine whether or not the business will be profitable. Also, you must be sure that a market exists before applying for a loan or grant. Many loan applications ask for a sales forecast and a profit forecast.

There are three steps involved in sales forecasting.

(1) You will have to research (gather information about) the market. In lesson MKT2, "What Is a Market", you learned that you need to know the who, what, where, why and how of a market.

(a) What Information Do You Need?
In sizing up your market, it is especially important to know how many customers there are for your type of business and how much money each customer spends on the type of product or service you will be selling. To find these things, you will need to gather data on: the population (number of individuals and number of families) in the area; the percentage of the population that needs your type of product or service; the income of the people; and the percentage of income spent on your type of product or service.

(b) How Can You Gather This Information?
You can carry out a survey. This involves asking questions of customers, suppliers, government agencies, etc. You can do your survey by telephone, mail, and/or personal interview. You can also make observations of the activities of consumers and creditors.

(c) Where Can You Get This Information?
You can get the information directly from the customers, suppliers, creditors, etc., or from other sources such as: city hall, board of trade, chamber of commerce, government agencies and other local community councils or organizations.

(2) You will have to estimate the total sales potential of the market. Once you have researched your market, you can make an estimate of the total sales potential for your type of product or service in that market area.

For example, you may find that there are 200 families in the town and surrounding area, and that the average family spends $100.00 a year on your type of product. Therefore, yearly sales potential to the families would be 200 x $100.00 = $20,000.00.

You may also find that there are 30 other businesses in town that would buy some of your product and that, on the average, each business would spend $150.00 a year on these items. Therefore, yearly sales potential to other businesses would be 30 x $150.00 = $4,500.00. Thus the total yearly sales forecast for items in your market area would be $20,000.00 + $4,500.00 = $24,500.00.

(3) You will have to estimate your share of the sales. You can expect to capture the total sales potential of the market area only if there is no competition. If there is competition, you will have to determine what share of the market your competitors have and what share you can expect to get. Maybe you can take some of the market away from your competition. You might be able to win customers by satisfying them better than your competitor, through:

(a) better products - higher quality, more style and variety

(b) better prices

(c) better promotion - more effective advertising and display, informed sales clerks

(d) better service - quick delivery, good credit terms

(e) better location - more convenient, better parking.

d. Step 4: Estimate Your Costs
Once you have determined a sales forecast for a certain period of time in the future, you will have to estimate the costs of running the business. You will have to consider the cost of the goods (purchase and freight), of wages, advertising and taxes, of heat, power and rent, and of loan payments.

e. Step 5: Estimate Your Profits
Once you have estimated your sales and costs, you will have to calculate what your profits are likely to be.

ESTIMATED PROFITS = ESTIMATED SALES - ESTIMATED COSTS

For example, if your estimated costs for one year are a total of $20,000.00, and your estimated sales are $24,500.00, your profits would be:

```
ESTIMATED PROFITS = ESTIMATED SALES - ESTIMATED COSTS
                  = $24,500.00      -    $20,000.00
                  = $ 4,500.00
```

Therefore, you would have a profit for the year.

You should try to estimate what your profits will be for one, two, or three years in the future. To do this, you will have to make sales forecasts and cost estimates for each of these years in the future. Many loan applications require this information.

2. Summary

It is always wise to size up the profitability of the market before you start a business. Some business opportunities may be good; some may be poor. A thorough investigation before you engage in business will improve your chances of success.

13. Discuss the relationship of the forecasting of sales, costs and profits with the Profit and Loss Statement. The instructor should indicate to students that these last three steps will be studied again in lesson FAB42, "Projected Financial Statements".

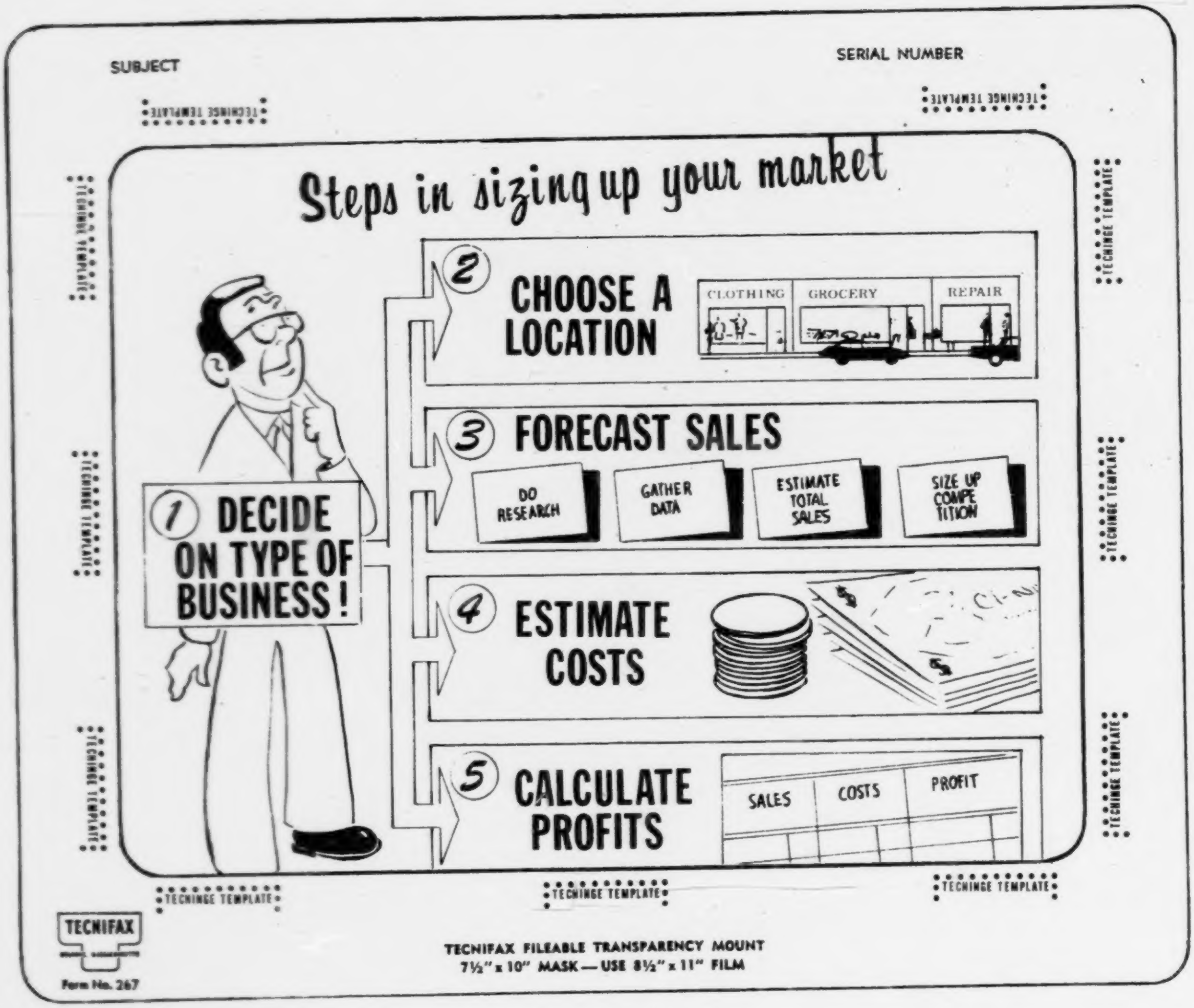
14. Summarize the lesson by showing and discussing Projectual MKT3-1, "Steps in Sizing Up Your Market".

15. The instructor should plan a trip for the class to one or more retail operations. Arrange with manager for a conducted tour of the business and a discussion period with the manager on marketing, personnel and related questions.

Indicator

16. Ask each student to write a report on the business opportunity which he plans to explore, outlining how he would use the five steps to size up the business opportunity. In most cases, it is too soon to expect the students to have specific data available, but they should be thinking of how they could use the steps in their particular circumstances, where they would get the information they need, and how they would go about getting it.

MKT3-1 STEPS IN SIZING UP YOUR MARKET


SUBJECT
SERIAL NUMBER
Steps in sizing up your market
1 DECIDE ON TYPE OF BUSINESS!
2 CHOOSE A LOCATION
CLOTHING
GROCERY
REPAIR
3 FORECAST SALES
DO RESEARCH
GATHER DATA
ESTIMATE TOTAL SALES
SIZE UP COMPETITION
4 ESTIMATE COSTS
5 CALCULATE PROFITS
SALES
COSTS
PROFIT
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

SUBJECT MARKETING

LESSON MKT3 SIZING UP A MARKET OPPORTUNITY

CASE MKT3 - 1

LOCATING A STORE

Jim and Dave were both planning on going into business for themselves. One day they were talking about where each one was going to build his general store. Both of them had looked at several possible locations before they made their decisions.

Jim had decided to build in his home town. He figured that because he knew most of the people there and because he was well-liked, he would do really well in business.

Dave had decided to set up his business in a town some distance away. Dave didn't know too many people in the town, but he still thought that a well-run business would be a success there.

Jim and Dave were talking about how they had made their decisons.

Jim said he had decided to build in his home town because he knew most of the people. There was a Co-op store and a Hudson's Bay store there already, but Jim still figured he could do a good business. Both the Co-op and the Bay stores had been in business for some time. They both did a lot of business.

Jim's home town wasn't very big. The people who lived there worked at fishing and hunting. Some of the people worked part time with the government. Some of the people worked at jobs on the outside, mainly at construction and in the mines. These people only came back home four or five times a year for periods of a week or two.

Transportation into Jim's home town was by boat or plane. The Bay and the Co-op stores had their supplies transported into the town by barge in the summer. A few supplies were flown in during the winter but not too much could be brought in this way.

Dave asked Jim if he thought that there was enough business in the town for three stores. Jim said that there was because there were so many people. Jim also thought that he could do well because he knew most of the people and because he had lived there since he was a small boy.

The town where Dave had decided to build his store already had one general store. It was the only store in town. The people in this town did some trapping and fishing but they also had some tourist camps. There was a mine situated in a community a few miles away and many of the men in the town worked in the mine. They lived at the mine all week and they came home to their families on weekends. There was also some logging in the country around the town. Many of the men worked on the cutting crews. The cut timber was trucked out to the mill in the south by a road which ran past the town. Dave figured that because people had jobs all year round there was a better chance to make a business succeed in this town. He figured that there were enough people to keep two stores busy all year round. Dave thought that, with the right policies, and by offering the right merchandise, he would do all right by building his store in this town.

Question for Discussion

1. Which location do you think is best from a business point of view, Jim's or Dave's? Why?

SUBJECT BUSINESS LAW

LESSON BL1 INTRODUCTION TO BUSINESS LAW

INSTRUCTOR'S GUIDE

OVERVIEW

A group of people living in a geographically or politically defined area (Canada, for example) develops strong customs that direct the basic pattern of group living. These customs eventually become known to all group members and further develop into rules of conduct. Eventually these rules of conduct become institutionalized in legislative enactments, administrative decrees, and judicial decisions. Law is thus formed by the process of social recognition and acceptance.

Rules of law develop to preserve fairness and justice in the social setting. Fairness and justice are important because conflicts arise from time to time among members of an organized society. Conflicts arise because certain members of society attempt to assert rights which infringe on the rights of other members of that society, or in the society as a whole. This problem increases as populations grow and society becomes more complex.

A basic tenet of our society is the right to individual ownership of property; that is, private property such as land, goods, and money. In theory, members of our society recognize and accept each other's rights of ownership. However, in practice, some members attempt to exercise property rights or engage in activities which can infringe upon the rights of others. The law spells out the extent of individual rights and responsibilities. That is, it states what an individual must do, may do, and may not do in various situations. When disputes arise, it becomes necessary to determine whether someone has violated a rule of law. If so, it must further be determined whether someone else is entitled to compensation because of the violation. Thus, in addition to being a formalized set of rules, the law also serves as a system through which disputes are settled.

Business activity cannot take place in an atmosphere of legal uncertainty. Without a set of legal rules there would be no protection to persons or to property, no means of enforcing contracts, and no basis upon which to determine the validity of claims put forth by disputing parties.

The law serves as an aid to business by upholding the right to private property (the ownership of land, buildings, equipment, etc.), by providing the means through which property rights may be transferred (conditional sales agreements, Sale of Goods Act, etc.), and by providing ways in which transfer can be facilitated (allowing agents to act for the principals, allowing mortgages, etc.). The law also spells out in detail the legal responsibilities of businessmen both within and outside the individual firm (Unemployment Insurance, Canada Pension Plan and Income Tax regulations, etc., and laws the businessman must adhere to regarding consumer protection, etc.).

In recent years pressures for social, economic and environmental change have been brought to bear on religious, governmental and educational institutions. These same pressures are now being brought to bear on business institutions. The result of these pressures has been an increase in legislation directed at business enterprises. Examples include anti-pollution legislation, truth-in-advertising laws, legislation for the protection of consumers, and changes in income tax, pension plan and unemployment insurance regulations.

To protect themselves, businessmen must be aware of legislative trends, that is, they must know or obtain advice about legal matters that can affect their operations.

The Business Law subject area in this course points out some of the basic legal matters with which every businessman should be familiar. We neither intend nor expect that anyone will become competent enough to handle their own legal affairs by studying these Business Law lessons. We do, however, expect that there will be an increased familiarity with the rules of law and the legal system. The individual will be better able to anticipate his legal needs and will be able to deal more knowledgeably with lawyers and government agencies.

This lesson discusses the sources and divisions of law. It also outlines, briefly, the topics to be covered in the Business Law subject area. A set of supplementary readings at the end of the lesson provide information on the structure of the Canadian legal system and the procedures involved in using this system.

BL1

OBJECTIVE

The students will have a general awareness of the two major sources and six main classes of law in Canada.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Anger, William H. and Anger, H.D. Summary of Canadian Commercial Law. 18th rev. ed. Toronto: Sir Isaac Pitman (Canada) Ltd., 1962, ch. 1.
2. Chapman, F.A.R. Fundamentals of Canadian Law. Toronto: McGraw-Hill Company of Canada Ltd., 1965, chs. 1, 2, 3.
3. Smyth, James E. and Soberman, D.A. The Law and Business Administration in Canada. 2nd ed. Scarborough, Ontario: Prentice-Hall of Canada Ltd., 1963, chs. 1, 2, 3.

RESOURCES REQUIRED

1. Flip chart.

METHODOLOGY

1. Do NOT hand out the Readings at this point.
2. Read the Purpose of the Readings to the group, then write the words 'sources' and 'classes' on the flip chart.

OBJECTIVE: THE STUDENTS WILL HAVE A GENERAL AWARENESS OF THE TWO MAJOR SOURCES AND SIX MAIN CLASSES OF LAW IN CANADA.

Stimulus

3. Ask: "What is law? Can anyone define it or tell us what it is?"

   List the definitions on the flip chart. Allow students to discuss their definitions among themselves but do not clarify anything at this point.

4. Ask the students if they know the sources of our laws, that is, where they came from. Answers should be listed under the heading "sources" which was written on the flip chart earlier.

5. Ask the students if they know the various classes of law. Answers will be listed on the flip chart under the heading "classes".

Clarify Problem

6. Hand out the Readings.

7. Have the students read the Purpose again and also go over the Introduction and Section 1 of the Readings. Compare Readings with answers on the flip chart. Stop for discussion as necessary.

PURPOSE

The purpose of this lesson is to provide you with information about the sources and major divisions of law in Canada and the classes into which the law is divided.

The instructor will provide you with a complete list of the topics to be covered in the Business Law subject area. He will briefly discuss each topic commenting on its importance to a businessman.

The supplementary readings at the end of this lesson contain information about how our legal system works. You will look at the system of courts in Canada and how the courts function.

INTRODUCTION

The importance of law in business has been discussed in some of the Management Process lessons. However, before you start dealing with specific topics that an owner-manager should know, it is advisable to set up a framework showing the various sources, divisions, and classes of law.

The two major sources and divisions of law in Canada are:

1. Common law
2. Statute law

The law is also divided into various classes as follows:

1. Criminal law
2. Constitutional law

3. Military law
4. Ecclesiastical law
5. International law
6. Private (or civil) law

Each of these will be discussed briefly in the following sections of this lesson.

CONTENT

1. What is Law?

There are many definitions of law just as there are many types of law. In this course you will be studying private or civil law - a set of rules and regulations that our law courts will enforce.

Below are two definitions of law. They are presented for your consideration and are not intended to be the only definitions that apply to the field of law.

> *Law consists of rules, laid down by various authorities, which cannot be broken without penalty.*[1]
>
> *Law consists of those rules regulating men's conduct in society which are enforced by organs of the government through the use of penalties or force.*[2]

[1] F.A.R. Chapman, Fundamentals of Canadian Law (Toronto: McGraw-Hill, 1965), p. 3.

[2] J.E. Smyth and D.A. Soberman, The Law and Business Administration in Canada, 2nd ed. (Toronto: Prentice-Hall, 1968), p. 3.

8. Ask the students if they know the meaning of:

   a. Common law
   b. Statute law.

   List answers on the flip chart.

9. Ask the students if they know the meaning of:

   a. Criminal law
   b. Constitutional law

c. Military law
d. Ecclesiastical law
e. International law
f. Private (or civil) law.

List answers on the flip chart.

Provide Information

10. Go over Sections 2 and 3 of the Readings with the group. Compare information in Readings to answers on the flip chart. Stop and discuss as necessary.

2. Common Law and Statute Law

a. Common Law
Common law originated in England. In early times as various races of people settled in different areas of the country they established their own local laws. As business activities expanded and communication methods improved, a need arose to establish a set of laws that would apply uniformly throughout the country. The authorities decided to gather together the laws from each district. Certain laws which were common to all areas of the country were collected, adapted and established as the Common Law of England.

Common Law follows the rule of precedent. This means that when a judge tries a case, he determines what decisions have been reached by judges in prior cases with similar circumstances and he follows those decisions. In Canada, the Common Law applies in all provinces except Quebec, which has a civil code of laws.

b. Statute Law
Statute law consists of acts passed by Parliament and the provincial legislatures, and of by-laws passed by municipal governments. These acts or statutes are referred to as "legislation". A statute overrides all the common law dealing with the same point.

In many cases statute law is the codification of the existing common law. Examples are the Bills of Exchange Act, the Criminal Code, the Sale of Goods Act and The Partnership Act.

Statutes are used to introduce new law in some cases. In other cases statutes may be used to amend or change former law to bring it up-to-date with changing conditions in society.

3. Classes of Law

You will not be studying most of the following classes of law in this course. However, they are included and briefly explained to give a complete picture of our legal system.

a. Criminal Law

Criminal law prohibits violations of the laws that are injurious to others or to the country. Examples include manslaughter, breaking and entering, arson, and theft. These violations are "indictable offences", that is, offences for which the wrong-doer may be prosecuted, and which are punishable by either a fine, imprisonment or both.

b. Constitutional Law

Constitutional law consists of the laws that determine the system of government we have. Constitutional law in Canada is governed by the British North America Act (the B.N.A. Act). Under this act there is a division of powers in Canada between the federal and provincial governments; for example, defence is the responsibility of the federal government and education is the responsibility of the provinces.

c. Military Law

Military law imposes controls on the conduct of members of the armed services. Besides being subject to military law, members of the armed services are subject to all other laws.

d. Ecclesiastical, Canon or Church Law

Church law is the source of our laws relating to marriage, incest and succession. In addition, this class of law regulates the conduct of members of the clergy.

e. International Law

International law relates to the rules upon which nations agree to govern their relations with each other. Agreements regarding territorial waters are an example.

f. Private (or civil) Law

There are four main branches of law to be considered here:

(1) Contractual rights

(2) Property rights
(3) Personal rights
(4) Administrative regulations

In this course we will be emphasizing contractual and property rights.

11. The instructor will briefly describe the lessons to be covered in the Business Law subject area as the students read Section 4 of the Readings. Discuss as necessary.

4. Lessons in the Business Law Subject Area

The following list outlines the topics that will be covered in these lessons. The instructor will briefly discuss each topic, pointing out its importance to you as future businessmen.

BL1: Introduction to Business Law
This lesson introduces you to the various sources, divisions and classes of law.

BL2: Introduction to Different Forms of Business Organization
You will be introduced to the four legal forms of business organization: proprietorship, partnership, limited company and co-operative.

BL3: Proprietorships and Partnerships
In this lesson you examine some of the major aspects of proprietorships and partnerships.

BL4: Limited Companies and Co-operatives
You will discuss some of the major aspects of limited companies and co-operatives in this lesson.

BL5: Legal Steps Required in Setting Up Each Form of Business Organization
In this lesson you will be examining and discussing the various legal steps that are required after you have decided on the form of business organization you want.

BL6: The Legal Contract
A contract is the basic tool of business. In this lesson you will study and discuss the five major elements that must be present before a legally enforceable contract exists. A legal contract, very generally speaking, is a set of promises that the law will enforce.

BL7: Special Contracts: The Sale of Goods
This lesson emphasizes the important aspects of a contract of sale. It also points out the use of and importance of an agreement to sell.

BL8: Special Contracts: Business Insurance
In this lesson you will discuss the importance of business insurance. You will also examine the types of business insurance that are available.

BL9: Ownership and Transfer of Real Estate
This topic is of particular importance to anyone who plans on going into business.

BL10: Leases
Many businessmen lease property instead of buying it. This lesson examines the important aspects of leasing and discusses some things that you should know if you ever plan on leasing property.

BL11: Mortgages
If you borrow money to purchase property, or if you own property and borrow money, you may be required to give your creditors a mortgage on your property. This lesson examines the main things that you should know about mortgages.

BL12: Insolvency and Bankruptcy
There are many reasons for business failure, but most of them stem from poor management. Businessmen often think they can do nothing to prevent their business from failing - sometimes there IS nothing they can do. However, as this lesson points out, the law can provide help for businessmen who are in financial trouble. If the business cannot be saved financially, the law can help the businessman to become free of debt.

BL13: The Indian Act
This lesson involves a discussion of the Indian Act which may help the student to play a more productive role in his community.

The above list of topics will give you some idea of the lessons to be covered in this subject. You will not become your own lawyer simply by studying these lessons. You will, however, have a much better appreciation of legal procedures and will also know when to call on the services of a lawyer to ensure that your business interests are protected.

12. Go over Section 5 of the Readings with the group.

5. Summary

In this lesson you have been introduced to the two major sources and divisions of law:

a. Common law
b. Statute law.

In addition, you have learned that the law is also divided into the following classes:

a. Criminal law
b. Constitutional law
c. Military law
d. Ecclesiastical law
e. International law
f. Private (or civil) law.

You are now ready to study laws that apply to business transactions. In the next lesson you will start to study legal forms of business organization, that is, proprietorship, partnership, limited company and co-operative.

Indicator

13. Ask the students what they learned from this lesson. Direct the discussion to the students' understanding of the two major sources and six major classes of law. Clarify any points that are not clear, and summarize the lesson using the ideas set out in the "Overview".

14. Read through the supplementary readings with the students. Discuss and clarify as necessary.

SUBJECT BUSINESS LAW

LESSON BL1 INTRODUCTION TO BUSINESS LAW

SUPPLEMENTARY READINGS

1. The System of Law Courts in Canada

The names and the functions of the courts in each province differ somewhat, but in general they follow the pattern shown below:

a. The Provincial Courts

(1) Magistrate's Court
The magistrate rarely handles any cases dealing with private law, that is, cases concerning contractual, property or personal rights or cases having to do with administrative regulations. He hears criminal cases of all types except for the most serious offences such as murder, treason, rape and manslaughter. No jury trials are held before him. If an accused person wants to have a jury trial (and he may do so), the case must be heard in another court.

(2) Probate Court (or Surrogate Court)
Deceased persons' estates are supervised by the court. When a person dies without leaving a will (intestate), the court appoints an administrator to wind up his affairs. If a dispute arises about the validity of the will or the distribution of the assets of an estate, the court rules on such matters. The court must also pass all expenses involved in settling the estate.

(3) Juvenile Court
Children and adolescents who the government feels require special care and are too young to be dealt with in the ordinary criminal courts are brought before the Juvenile Court judge.

(4) Family Court
Questions dealing with domestic relations (but not divorce) are handled by the Family Court.

(5) Small Claims Court (or Division Court)
This court handles disputes concerning small amounts of money. The procedures are relatively simple and informal, so the cost of taking action is quite low.

(6) District Court (or County Court)
The District Court handles actions involving claims of a medium size, whether for debts or for damages for injuries suffered.

(7) Court of Queen's Bench (also called the High Court of Justice of the Supreme Court, the Superior Court, the Supreme Court, and the Supreme Court Trial Division)
It has unlimited jurisdiction in both civil and criminal matters. Judges of the Court of Queen's Bench go on circuit, that is, one judge tours each of a group of district towns twice a year and tries the cases waiting for him.

(8) The Court of Appeal (or the Appellate Division, the Supreme Court en banc (the whole bench), the Queen's Bench Appeals)
If either of the parties to a court action is dissatisfied with the decision of a lower court, he may appeal to the Court of Appeal where the decision will be reconsidered. In addition this court hears criminal appeals.

b. The Federal Courts

(1) The Exchequer Court
It handles such matters as patents, copyright, trademarks, federal taxation, interprovincial railways, and admiralty (disputes concerning ships and navigation). This court also hears actions brought against the federal government, unless the person or persons bringing the suit do so in one of the provincial courts.

(2) The Supreme Court of Canada
The Supreme Court is the final court of appeal in Canada. It hears appeals both from the provincial courts and from the federal Exchequer Court. It also rules on the constitutionality of federal and provincial legislation, that is, whether the federal and provincial governments have the authority to pass (legislate) certain laws. Any person or persons wishing to appeal a case to the Supreme Court, in which the money damages involved are $10,000, or less, can only do so with the consent of the Supreme Court.

2. Procedures Involved in Using the Courts

Procedures (steps) to be followed in using the courts must be as clear and as well-defined as possible if the system of courts is to function efficiently.

Any disputes which are taken to the courts for settlement become known as an action. An action is started by issuing and serving a writ.

a. Settlement Out of Court

Only a small number of the court proceedings that are started ever come to trial. Most proceedings are not simply dropped, they are settled out-of-court.

Settlement out-of-court means that one of the parties to the action agrees to pay certain sums of money, or to do certain things, in return for which the other party agrees to waive (give up) all his rights to further action arising from the dispute.

Settlement out-of-court is fast, definite and avoids costly court proceedings. It also eliminates the risk, for both parties, that the court will rule against either one of them.

The party that starts a court action proves to the other party that he is serious in his intentions. This often hastens settlement on the part of the second party.

The actions that do go to trial and end with a court decision (ruling) are valuable because:

(1) these decisions provide guidelines on which both parties involved in a dispute can judge the strength of their respective positions

(2) the parties involved in a dispute know that the courts will settle the dispute if they cannot.

b. Procedure Before a Trial

After the decision to sue has been made and a writ has been issued by the court, the writ is served on (presented to) the defendant (the person or party being sued). The writ informs the defendant by whom and for what he is being sued. He must receive this information before action can proceed so that he can prepare to defend himself. Usually the defendant's first move is to consult a lawyer.

The parties determine which elements of the matter are in dispute. Each side then prepares a set of pleadings in which they specify what they intend to prove. This servies to further clarify the issues involved.

Once both sides have satisfied themselves that the action should proceed to trial, it is listed on the docket for the next sitting of the court.

c. The Trial

At the trial evidence of the facts involved in the dispute is brought before the court. The plaintiff (person or persons who brought the suit) must prove his case. This he does by bringing all evidence of favourable facts before the court. He must also be prepared to argue that these facts prove his claim in law.

The defendant, on the other hand must attempt to prove his own version of the facts or at least to minimize or refute the facts put forth by the plaintiff. Evidence is presented in court through the examination of witnesses. Evidence that is hearsay is not admissible in the court. Hearsay refers to words that the witness states were said by a person who is not before the court.

After all evidence has been presented, counsel (lawyers) for both sides summarize the arguments in a way that is most favourable to their respective clients.

The judge may give his decision immediately or after only a short recess. However, he may take longer in some cases to evaluate the evidence and to compare the decisions reached in similar cases.

d. Appeals

If either or both parties decide they wish to appeal the judgment, they must notify the proper court within 30 days or less.

The appeal court will review the evidence and either uphold (agree) with the original verdict or overturn it and order a re-trial.

SUBJECT BUSINESS LAW

LESSON B12 INTRODUCTION TO DIFFERENT FORMS OF BUSINESS ORGANIZATION

INSTRUCTOR'S GUIDE

OVERVIEW

The type and size of a business largely determines the number of employees and the investment required to operate the business. These same factors also have a direct bearing on the legal form of organization that is most appropriate for the particular business venture. For example, some businesses may be operated by a single person with a relatively small investment. Other businesses may require the aid of a few employees. Still others require many employees and a large investment. Finally, some businesses require only a few employees, but need a large investment to get started.

In this lesson the students are introduced to the four most common legal forms of business organization: sole proprietorship, partnership, limited company and co-operative.

The majority of small businesses are organized as sole proprietorships, in which one man is the sole owner. He receives all the profits -- but must also assume all the losses, bear all the risks, and pay all the debts of the business. In addition, he must supply all the capital needed, assemble or arrange for the physical facilities and merchandise, and (usually) manage the business.

A partnership exists when two or more persons combine their funds and abilities to carry on a business for profit. Partners share profits and losses equally unless there is a partnership agreement stating otherwise. A partner has the right to take part in management, share in the profits of the business as agreed upon, obtain full business information, and inspect the books of account. Each partner can bind the firm for debts to outsiders. A partner is also entitled to a return of his investment, plus a share of accumulated earnings, if the partnership is dissolved and the business has shown a profit. He must share in the loss if the business has experienced a loss.

The corporate (limited company) form of business enterprise is characterized by separate legal existence. The corporation is a separate legal entity with many of the same legal rights and responsibilities as a person. Thus, it can sue and be sued, own and sell property, and engage in business operations as specified in its charter. The corporation, not its owners, is responsible for its debts. The directors and officers (managers) of the corporation serve as its agents. They are empowered to enter into binding agreements on behalf of the corporation. Ownership in a corporation is evidenced by share (stock) certificates, each of which stipulates the number of shares held by a shareholder. An ownership interest does not give the shareholder the legal right to act for the firm or to share in its management. A shareholder may, however, participate in the election of directors of the firm on the basis of one vote for each share owned.

A co-operative is a business set up by a number of persons who wish to supply themselves with goods or services at a lower cost than would otherwise be possible. Co-operatives are not established for the purpose of making a profit. Any surplus realized on operations is shared among the members of the co-operative. Each member participates in the election of officers of a co-operative on the basis of one member-one vote (regardless of the number of shares owned).

As prospective managers and owner-managers, the students in this course will seek to satisfy certain personal needs and wants in their business careers. The legal form of business organization under which they work, or which they choose for their own business, can be very instrumental in satisfying these needs and wants. For example, the need to be one's own boss is not best achieved in a partnership or corporate setting. On the other hand, as a sole proprietor, it is difficult to find the time to formulate plans, evaluate new opportunities, or diversify business operations. Thus, the choice of a legal form of business organization is dependent on each individual student's needs, wants and goals. Once he has evaluated these personal factors, the student will be better able to choose the most appropriate legal structure for his particular business.

A more detailed examination of each business organization will be undertaken in following lessons.

OBJECTIVE

The students will discuss the advantages and disadvantages of the four legal forms of business organization.

REFERENCES FOR INSTRUCTOR

1. Hastings, Paul G. Introduction to Business. Toronto: McGraw-Hill Book Company of Canada Ltd., 1968, pp. 27 - 28.
2. Keith, Lyman A. and Gubellini, Carlo E. Introduction to Business Enterprise, 3rd ed. Toronto: McGraw-Hill Book Company of Canada Ltd., 1971, pp. 121 - 124.
3. McNaughton, Wayne L. et al. Introduction to Business Enterprise, 2nd ed. Toronto: John Wiley and Sons, Inc., 1970, pp. 49 - 52.
4. Musselman, Vernon A. and Hughes, Eugene H. Introduction to Modern Business: Analysis and Interpretation. 5th ed. Scarborough, Ontario: Prentice-Hall of Canada Ltd., 1968, pp. 105 - 107.

RESOURCES REQUIRED

1. Flip chart
2. Case BL2-1, "Organizing a Business"

METHODOLOGY

1. Hand out the Readings, read and discuss the Purpose and Introduction with the students.

PURPOSE

In this lesson you will briefly discuss legal forms of business organization. There are specific laws that apply to each form of business organization. Knowledge of these laws will help you to choose the form of organization that is most suitable for your particular business situation.

INTRODUCTION

There are four legal forms of business organization:

1. Proprietorship
2. Partnership
3. Limited Company (private or public)
4. Co-operative

The legal form of business organization you choose when you start your own business will depend on such things as:

1. The amount of capital you will require.
2. The ability and experience that will be needed to start and run the particular type of business you choose.
3. Whether you will want to keep the business completely under your control (that is, make all the important decisions).
4. Whether you will be able to finance and to continue managing the business by yourself if you expand it at some time in the future.
5. The possibility that you may become ill - what would happen to the business if you were unable to work for a number of weeks or months?
6. Whether you want the business to have an existence of its own after you have died.
7. The amount of personal liability you are willing to take for business debts that may exceed the amount you have invested in the business.

These and other considerations must be weighed carefully before you decide which legal form of organization will be best for your business. As you shall see in this lesson and in others to follow, each legal form of business organization has advantages and disadvantages. Knowledge of the pros and cons of each legal form will enable you to take steps to protect yourself and your business.

OBJECTIVE: THE STUDENTS WILL DISCUSS THE ADVANTAGES AND DISADVANTAGES OF THE FOUR LEGAL FORMS OF BUSINESS ORGANIZATION.

Stimulus

2. Ask the students how each of the seven factors listed in the Introduction can affect the choice of a legal form of business. List their answers on the flip chart and have the students discuss these. This will help the instructor to determine how familiar the students are with each legal form of business organization.

Clarify Problem

3. Suggest to the students that they consider the factor of ownership for a moment. Then ask them who owns and who manages a:

   a. proprietorship
   b. partnership
   c. limited company
   d. co-operative.

   List their answers on the flip chart. The answers to look for are:

   a. A proprietorship

      (1) owner: the proprietor
      (2) manager: usually the proprietor (owner-manager)

   b. A partnership

      (1) owners: the partners
      (2) managers: the partners

   c. A limited company

      (1) owners: the shareholders
      (2) managers: the shareholders elect directors who in turn appoint managers.

   d. A co-operative

      (1) owners: the members (shareholders)
      (2) managers: the members elect directors who in turn appoint managers.

Provide Information

4. Read Section 1 of the Readings with the group. Discuss as necessary. Point out that each legal form of business organization has other characteristics as well; these will be discussed in following lessons.

CONTENT

1. Forms of Business Organization

There are four different ways that a business can be organized or owned:

a. Proprietorship

A business that is owned by one person and is (usually) operated by him is known as an individual or sole proprietorship. It is also referred to as single proprietorship or individual ownership.

Proprietor means owner. Therefore a proprietorship means a business owned by only one person. If, as is usual, he also operates the business, he is called the owner-manager.

Legally, a sole or single proprietor is subject to unlimited liability for the debts of his business. This means that if there is not enough money in his business to pay its creditors, the creditors can apply to the courts to have his personal assets (car, home, furniture, savings, etc.) seized as well.

b. Partnership

The term 'partners' implies two or more people. Therefore, a partnership is an association of two or more persons to carry on as co-owners of a business that is operated for a profit.

A partnership is a formal association in which the partners jointly provide the capital, share in the management of the enterprise, and share in the profits and losses.

As in the case of a proprietorship, the members of a partnership are subject, jointly, to unlimited liability for the debts of the business. In addition, unless otherwise specified in the partnership agreement, partners are severally responsible for the debts of the business. This means that a partner with many personal assets could lose all of them if the other partners have few personal assets to seize.

c. Limited Company

In law, a limited company is almost the equivalent of an individual person. It has a name; it has an office; it has its own capital (finances); and it sues (and gets sued) in its own name. It must act through human agents who sign documents (with the company's seal) on behalf of the company. For these reasons a limited company is often called an 'artificial person'.

Persons called shareholders are the owners of limited companies. Shareholders elect directors on the basis of one vote for each share owned. Directors appoint managers. The liability of each shareholder (for debts incurred by the limited company) is limited to the amount that he has invested in the company. The extent of liability is one of the major differences between limited companies and the less-protected proprietorships and partnerships. This difference will be examined in more detail in the next two lessons. The managers of large limited companies are usually not the owners. However, a limited company can be formed with as few as two shareholders (no less than two), which means that you and another person could form and operate your own limited company.

d. Co-operative
The term co-operative is used to describe a business which is set up by a group of people who wish:

(1) to get together to produce things for sale, or

(2) to get together to supply themselves with goods and/or services at a lower cost than would otherwise be possible.

The owners of a co-op are all the people who get together and contribute money to set it up. Members (shareholders) elect directors on the basis of one vote per member - regardless of the number of shares owned. Directors then appoint members to various positions. The amount of profit each member receives is based on the amount he buys from or sells to the co-op. The liability of each member (for debts of the co-operative) is restricted to the amount he has invested in the business.

5. Read Section 2 of the Readings with the group. Discuss as necessary.

2. Summary

The main points to keep in mind from this lesson are:

a. A proprietorship is a business owned by one person. He has unlimited liability for the debts of the business.

b. A partnership is a business owned by two or more persons who share profits and losses. Each partner is subject, jointly and severally, to unlimited liability for the debts of the business.

c. A limited company is owned by shareholders who purchase shares in the company. Each shareholder's liability is restricted to the amount he has invested in the business.

d. A co-operative is owned by its members. Each member is liable only for the amount of money that he invested in the business.

Indicator

6. Hand out Case BL2-1, "Organizing a Business", and read the case with the group. Divide the students into four groups:

   a. One to give reasons why the business should be organized as a proprietorship

   b. One to support the partnership form of business

   c. One to defend the formation of a limited company

   d. One to show why the business would be best organized as a co-operative.

   Allow about 20 to 30 minutes for each sub-group to evaluate the case and write a defense of its position. Ask a spokesman from each group to summarize the arguments in support of a particular business organization for the other groups. Encourage criticism and support from all the students.

   Look for the following points to be brought out in the discussion:

   a. Proprietorship
      Advantages:

      (1) Ted would be his own boss.
      (2) He will keep all the profits.
      (3) He will have complete control.
      (4) A proprietorship is easy to form.

      Disadvantages:

      (1) He will have to take all risks and absorb all losses.
      (2) He must manage the business.
      (3) He will have to do all jobs.

   b. Partnership
      Advantages:

      (1) More money will be available.
      (2) He will have someone to help him with jobs.
      (3) Losses will be shared.

(4) Risks will be shared.
(5) He will have someone with whom to discuss ideas and plans.

Disadvantages:

(1) He will have to share control.
(2) He will have to share profits.
(3) He will have to accept joint responsibility for any poor decisions his partner may make.

c. Limited Company
Advantages:

(1) He will find it easier to raise money than he would in a proprietorship or a partnership.

(2) He will have limited liability.

(3) He will not have to do all the jobs himself.

Disadvantages:

(1) He may lose control of the company.
(2) A limited company is expensive to form.

d. Co-operative
Advantages:

(1) He will find it easier to raise money than in a proprietorship or a partnership.

(2) He will have limited liability.

(3) The business will benefit more people.

(4) He will not have to do all jobs himself.

Disadvantages:

(1) He may not be in control of the business.
(2) He will have to accept ideas put forth by the board of directors.

SUBJECT BUSINESS LAW

LESSON BL2 INTRODUCTION TO DIFFERENT FORMS OF BUSINESS ORGANIZATION

CASE BL2 - 1

ORGANIZING A BUSINESS

Ted Andrews has lived in the community of Grand Falls for the past ten years. The town, with a population of approximately 275 people, is situated on the edge of Grand Falls Lake. Both hunting and fishing are excellent in the area.

The old road that served the community was narrow and rough. The spring thaw and heavy summer rains would make the road impassable in some spots. A new road is being built into the area and should be completed in about four months time.

Ted has given some thought to the possibilibity of starting a tourist outfitting camp now that the new road is nearing completion. Tourists will be able to drive into the area more easily now. They will be eager to take advantage of the good fishing and hunting.

Ted has been considering some of the advantages and disadvantages of different ways he could legally organize his business.

He has considered setting up as a single proprietor because he likes to be his own boss. He has saved $4,200.00 and feels he could borrow enough to start a small operation.

The possibility of a partnership is also appealing. One or two partners could provide the extra money needed to start a larger operation.

Another possibility would be to start a limited company and sell shares. The amount of money available would be much greater and he wouldn't have to pay it back. He would also have enough money to do considerable advertising.

BL2

Finally, Ted has thought of talking to a number of people in the community to see if they would be interested in starting a co-operative. The amount of money available to start the business would be greater than if a proprietorship or partnership form is used. Furthermore, a much greater number of people in the community would benefit

SUBJECT BUSINESS LAW

LESSON BL3 PROPRIETORSHIPS AND PARTNERSHIPS

INSTRUCTOR'S GUIDE

OVERVIEW

Proprietorships and partnerships were briefly discussed in lesson BL2. In this lesson they are examined in greater depth.

A proprietorship is a one-man operation. The proprietor owns all the assets, makes all the decisions, receives all the profits, pays all the bills, takes all the risks and usually does most of the work. The business comes to an end when he dies.

Members of a partnership have the same rights, responsibilities and obligations as a proprietor except that these are shared among the partners. This always raises the possibility of disagreement (a major disadvantage of partnerships).

Both of these types of business organization allow the owners substantial freedom of operation. This can be a disadvantage in a partnership because all members can be bound by a bad decision made by one partner.

Unlimited liability for business debts is the major disadvantage of both proprietorships and partnerships. Creditors can seize personal assets of the owners to satisfy business debts under either of these forms of business. The one exception is in the case of limited partners.

Most small businesses are organized as proprietorships or partnerships. Some businesses reorganize as limited companies when growth and need for capital increases.

BL3

OBJECTIVE

The students will become familiar with the characteristics of proprietorships and partnerships and will be able to state these characteristics.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Anger, William H. and Anger, H.D. Summary of Canadian Commercial Law. 18th rev. ed. Toronto: Sir Isaac Pitman (Canada) Ltd., 1962, ch. 15.
2. Chapman, F.A.R. Fundamentals of Canadian Law. Toronto: McGraw-Hill Company of Canada, Ltd., 1965, ch. 23.
3. Hastings, Paul G. Introduction to Business. Toronto: McGraw-Hill Company of Canada Ltd., 1968, pp. 29 - 31.
4. Keith, Lyman A and Gubellini, Carlo E. Introduction to Business Enterprise. 3rd ed. Toronto: McGraw-Hill Company of Canada Ltd., 1971, pp. 124 - 131.
5. McNaughton, Wayne L. et al. Introduction to Business Enterprise. 2nd ed. Toronto: John Wiley and Sons, Inc., 1970, pp. 53 - 60.
6. Smyth, James E. and Soberman, D.A. The Law and Business Administration in Canada. 2nd ed. Scarborough, Ontario: Prentice-Hall of Canada Ltd., 1963, ch. 26.

RESOURCES REQUIRED

1. Flip chart.
2. Projectuals: BL3-1, "The Proprietorship"
   BL3-2, "The Partnership"
3. Overhead projector.

METHODOLOGY

1. Hand out the Readings and read the Purpose and Introduction.

PURPOSE

In this lesson you will discuss various characteristics of a proprietorship and of a partnership. In addition, you will study the advantages and disadvantages of each of these legal forms of business organization.

INTRODUCTION

In earlier lessons you discussed the managerial functions of planning, organizing, directing and controlling. Every successful manager must perform these functions not only when operating a business firm but also when starting a business.

Before starting a business, the prospective businessman must do some planning and set some goals and objectives. In order to achieve these goals and objectives, it is important to thoroughly evaluate all the legal forms of business organization.

Each form of business organization has specific characteristics which in turn have legal implications. Studying the advantages and disadvantages of each form of business organization will help to point out the nature of these legal implications.

In this lesson you will study about proprietorships and partnerships. In the following lesson you will examine limited companies and co-operatives.

OBJECTIVE: THE STUDENTS WILL BECOME FAMILIAR WITH THE CHARACTERISTICS OF PROPRIETORSHIPS AND PARTNERSHIPS AND WILL BE ABLE TO STATE THESE CHARACTERISTICS.

Stimulus

2. Ask the students: "Why is it important to carefully evaluate various legal forms of business? How can this evaluation help a businessman to reach his goals and objectives?" List their answers on the flip chart. Discuss.

   The students should recognize that the most appropriate form of business organization is determined by factors such as:

a. capital requirements

b. amount of liability the businessman wishes to accept

c. degree of control the businessman wishes to retain

d. type of skills needed in the business; that is, can all jobs be done by one person, or is a skilled partner or skilled employees needed.

Clarify Problem

3. Ask the students: "Which characteristics of proprietorships and partnerships that are listed on the flip chart make these legal forms the most appropriate for certain types of business?"

   Answers should include:

   a. ease of formation

   b. inexpensive to form, although a partnership can be somewhat more expensive for registration and legal agreements

   c. freedom of action for owners

   d. motivation, because owners keep all the profits.

4. Ask the students: "Which characteristics of proprietorships and partnerships that are listed on the flip chart would you consider disadvantages?"

   Answers should include:

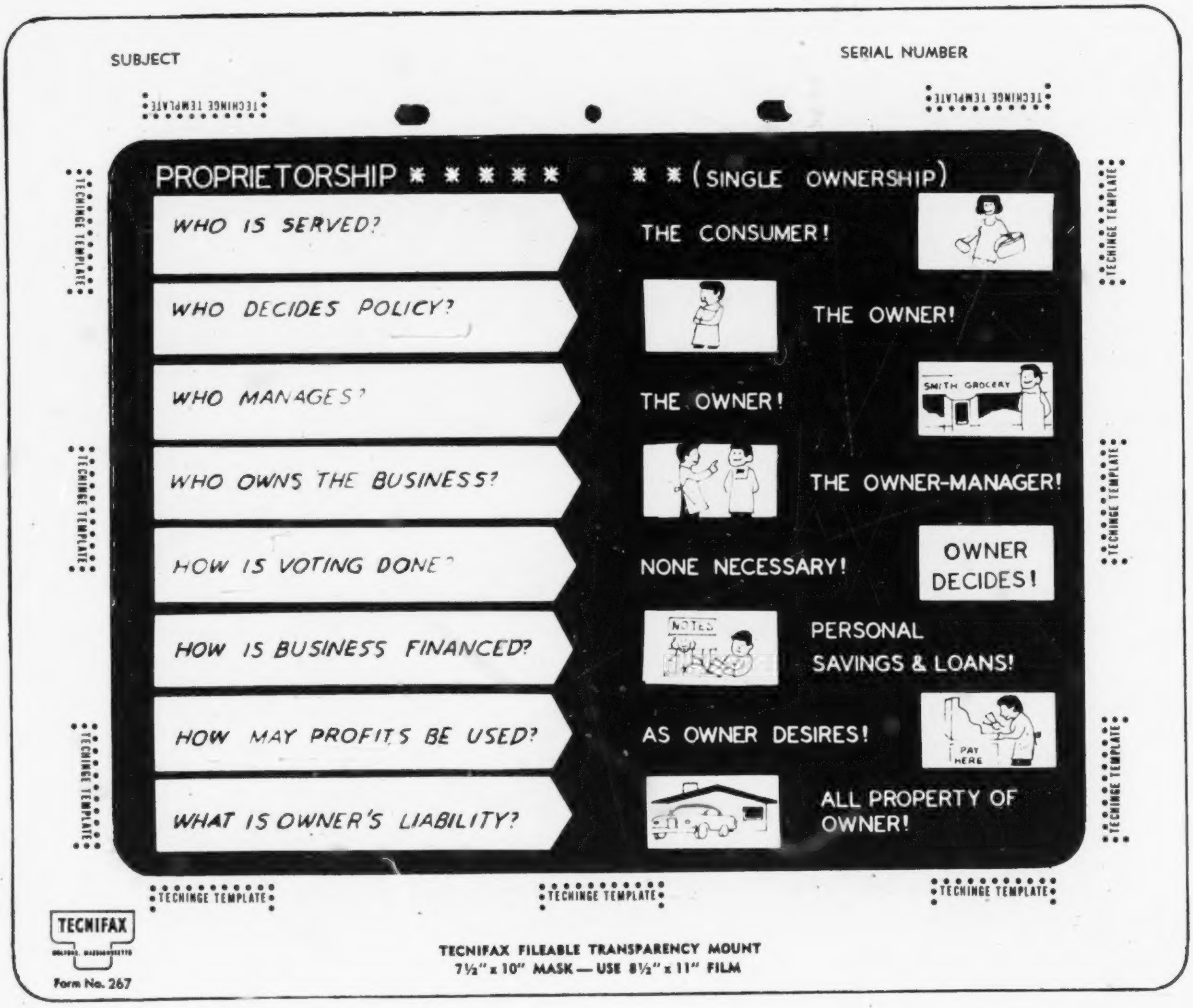
   a. unlimited liability
   b. owners must take all the risks
   c. uncertain life of the business if owners die
   d. amount of capital is usually limited.

Provide Information

5. Read Sections 1 and 2 of the Readings with the group. Stop to clarify points and discuss as necessary. Relate Readings to material on the flip chart.

   Show Projectuals BL3-1 and BL3-2, while Sections 1 and 2 of the Readings are being read.

BL3-1 THE PROPRIETORSHIP

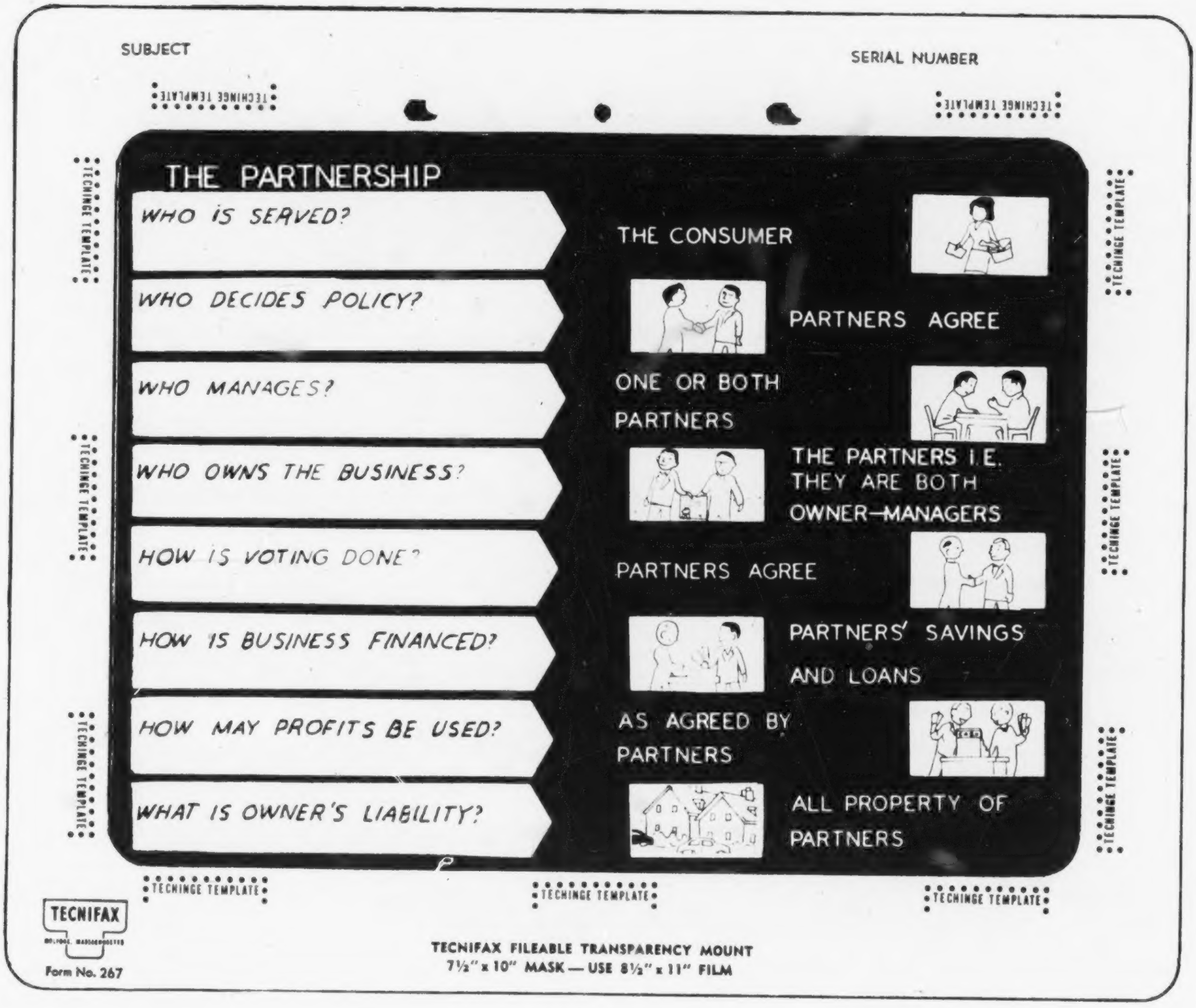


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
SMITH GROCERY
NOTES
PAY HERE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

PROPRIETORSHIP * * * * * * * (SINGLE OWNERSHIP)

WHO IS SERVED?	THE CONSUMER!
WHO DECIDES POLICY?	THE OWNER!
WHO MANAGES?	THE OWNER!
WHO OWNS THE BUSINESS?	THE OWNER-MANAGER!
HOW IS VOTING DONE?	NONE NECESSARY! OWNER DECIDES!
HOW IS BUSINESS FINANCED?	PERSONAL SAVINGS & LOANS!
HOW MAY PROFITS BE USED?	AS OWNER DESIRES!
WHAT IS OWNER'S LIABILITY?	ALL PROPERTY OF OWNER!

BL3-2 THE PARTNERSHIP


SUBJECT
SERIAL NUMBER
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THE PARTNERSHIP

WHO IS SERVED?	THE CONSUMER
WHO DECIDES POLICY?	PARTNERS AGREE
WHO MANAGES?	ONE OR BOTH PARTNERS
WHO OWNS THE BUSINESS?	THE PARTNERS I.E. THEY ARE BOTH OWNER—MANAGERS
HOW IS VOTING DONE?	PARTNERS AGREE
HOW IS BUSINESS FINANCED?	PARTNERS' SAVINGS AND LOANS
HOW MAY PROFITS BE USED?	AS AGREED BY PARTNERS
WHAT IS OWNER'S LIABILITY?	ALL PROPERTY OF PARTNERS

CONTENT

1. Characteristics of a Proprietorship

a. One person (the owner-manager) receives all the profits (and assumes all the losses) from the business. The profits and losses from the business become personal income or personal loss of the owner-manager.

b. The owner-manager owns all the assets of the business. He purchased all the assets with his personal savings or with money he borrowed.

c. The owner-manager is responsible for all the debts of the business. More important, his responsibility or liability is unlimited. This means that if the proprietor is unable to pay the firm's bills, his creditors can force the sale of his personal property (home, car, furniture, etc.) in order to cover the obligations of his business.

d. Because only one person owns the business (the owner-manager) it will cease to exist when he dies. The entire assets of the business become part of the deceased owner-manager's estate.

2. Characteristics of a Partnership

a. A partnership is similar to a proprietorship but in the partnership several persons, not just one, join together and share in the profits and losses of the business. The profits and losses from the business are divided among the partners according to the partnership agreement. The share that each partner receives becomes his personal income or personal loss for income tax purposes.

b. The partners own all the assets of the business.

c. The partners are jointly and severally responsible for all debts of the business. This means that in case of bankruptcy, if the assets of the partnership business are not sufficient to pay creditors, the personal assets of the partners (car, home, cash, furniture, etc.) can be seized and sold. (This is known as being jointly responsible for partnership debts). The money from the sale of these personal assets goes to pay any outstanding business debts. Furthermore, a partner with a large amount of personal assets can lose them all if the other partner(s) has only very few personal assets to seize. (This is known as being severally responsible for partnership debts).

d. No person can be brought in as a partner without the consent of all existing partners.

e. When a partner leaves a partnership he must notify all of the partnership's creditors (people or firms to which the partnership business owes money) and place a notice in the provincial Gazette (the official newspaper of the province) that he is leaving. These actions protect him from liability for debts that the business incurs after he has left.

f. There are two major types of partners:

(1) General Partners

(a) All partners actively share in the management of the business.

(b) All partners have unlimited liability for the debts of the business. This liability is also several, which means that one partner may have to pay all the debts of the business if other partners are unable to pay their share (in the event of bankruptcy).

NOTE: General partners may be:

(i) Active Partners - refers to those persons who have invested money in the business and whose names appear in the firm's name so as to identify them. Usually the older active partners are called senior partners and the younger active partners are called junior partners.

(ii) Silent or Sleeping Partners - refers to persons who have invested money in the business but whose names do not appear in the firm's name. These persons may or may not take an active part in management. They can be held as liable for debts as active partners.

(2) Limited Partners

(a) In those provinces that allow limited partnership (all do except Nova Scotia and Prince Edward Island), a person may invest money (it must be in actual cash) in the business and limit his liability to no more than the amount of his investment.

(b) Limited partners do not actively share in the management of the firm. They are allowed to check the books but if they actively participate in management, they can be made to share unlimited liability with the general partners.

(c) Limited partners must be properly registered in accordance with the province's Limited Partnership Acts.

(d) The names of limited partners must not appear in the name of the business and can only appear on letterheads or other printed matter if it is clearly specified that they are only limited partners.

NOTE: There are no restrictions on the number of limited partners that may be in a business - but at least one partner must have unlimited liability.

6. Read Sections 3 and 4 of the Readings with the group. Stop to discuss and clarify as necessary. Relate Readings to material on the flip chart. Check to see if students agree with the advantages and disadvantages listed in the Readings.

3. Advantages and Disadvantages of a Proprietorship

Advantages	Disadvantages
a. Easy and inexpensive to form.	a. Unlimited personal liability (you are personally responsible for the debts of the business).
b. High personal incentive. (You keep all the profits yourself.)	b. The size of the business is limited to the savings the owner has to invest and what he can borrow.
c. Freedom to do what you want when you want.	

d. Privacy (you don't have to show your financial statements to the public).

c. Limited talent (you have to make all decisions yourself and you may not know much about some parts of the business).

d. Lack of continuity (when the owner dies the business also dies since the assets become part of his estate which must be settled).

4. Advantages and Disadvantages of a Partnership

Advantages

a. More capital (the savings and borrowing of two or more people can be invested in the business).

b. More talent (two heads are better than one).

c. High personal incentive (owner-manager gets to share all the profits).

Disadvantages

a. Unlimited liability (each general partner is responsible for all the debts of the business).

b. Disagreements may arise (the partners may not be able to get along).

c. The size of the business is still limited to the savings and/or borrowing ability of a few people.

7. The instructor should provide examples of businesses that operate well as proprietorships and partnerships, and businesses that could not be run as proprietorships and partnerships.

8. Read Section 5 of the Readings with the group. Discuss as necessary.

5. Summary

A proprietorship, as you shall see later, is the easiest legal form of business organization to set up. The owner-manager receives all the profits of the business if it is successful. Furthermore, he retains complete control over the operation of the business (that is, he makes all the important business decisions).

The two major disadvantages of a proprietorship are: unlimited liability of the owner for the debts of the business and the fact that the business terminates upon the death of the owner. The unlimited liability factor means that the owner-manager can lose his personal assets as well as his business assets if the business becomes bankrupt. If an owner-manager becomes ill or is injured and stays away too long, the business may suffer or have to terminate. In the case of the death of the owner-manager, the business assets become part of his estate and the entire estate must be settled before anyone else can continue the business on their own. As you will see in a later lesson (PF7), a properly-drawn will can largely eliminate this problem.

A partnership can be valuable in that more people bring skills and experience to the business. In addition, as there are more people contributing funds to the business, it is usually easier to raise capital.

Partnerships have the serious disadvantage of unlimited liability. This is particularly serious in a partnership because each partner can make decisions which are binding on all other partners. In addition, serious problems can arise if the partners disagree on important matters. Furthermore, a partnership may terminate with the death of a partner - the deceased partner's share becomes part of his estate and must be settled. As you will see in lesson BL5, a properly-drawn partnership agreement and partnership insurance can eliminate this latter problem.

To protect yourself and your business, you should carefully consider the above factors before deciding which legal form of business organization to choose.

9. The instructor should have one or more of the students summarize the important parts of the lesson. He should then summarize what the students have said, adding his own comments.

Indicator

10. The ability of the students to recognize and list advantages and disadvantages of partnerships and proprietorships and to summarize the lesson will serve as an indicator.

SUBJECT BUSINESS LAW

LESSON BL4 LIMITED COMPANIES AND CO-OPERATIVES

INSTRUCTOR'S GUIDE

OVERVIEW

The ability to raise large amounts of capital and limited liability for business debts are the two most often-quoted advantages of limited companies and co-operatives. Sometimes when a limited company is just organizing, it will not be able to raise large amounts of capital too readily. However, in the long run, corporations are able to raise greater amounts of capital than proprietorships and partnerships. Corporations have a life which is independent of their owners. Shareholders may die or change through sale of shares with no effect on the life of the corporation. Shareholders participate in the election of directors of the corporation on the basis of one vote per share owned, but unless elected themselves, they do not take an active part in the management of the corporation.

Co-operatives are similar to corporations in regard to the limited liability factor. They, too, are able to raise larger amounts of capital than proprietorships and partnerships. They also have a life which is independent of the life of their shareholders. Shareholders participate in the election of directors on the basis of one vote per member, regardless of the number of shares owned.

These two legal forms of business organization play an important part in economic activities. Even though they are not small businesses in the sense that proprietorships and partnerships are, they are important to the students in this course. Many students may work in businesses organized in either of these two ways. If they do so, it is best that they understand the legal implications of each type.

BL4

These lessons relate directly to the Management Process lessons. Students will likely have increasing contact with government departments in the future. Many of the Management Process lessons, and these lessons in Business Law, will help them to understand and deal more effectively with these departments.

OBJECTIVE

Students will become familiar with the characteristics of limited companies and co-operatives and will be able to state these characteristics.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Anger, William H. and Anger, H.D. Summary of Canadian Commercial Law. 18th rev. ed. Toronto: Sir Isaac Pitman (Canada) Ltd., 1962, ch. 16.
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5. McNaughton, Wayne L. et al. Introduction to Business Enterprise. 2nd ed. Toronto: John Wiley and Sons Inc., 1970, ch. 5.
6. Smyth, James E. and Soberman, D.A. The Law and Business Administration in Canada. 2nd ed. Scarborough, Ontario: Prentice-Hall of Canada Ltd., 1963, chs. 27, 28.

RESOURCES REQUIRED

1. Flip chart
2. Projectuals: BL4-1, "The Limited Company (Corporation)"
   BL4-2, "The Co-operative"
3. Overhead projector.

METHODOLOGY

1. Hand out the Readings; read and discuss the Purpose and Introduction with the group.

> PURPOSE
>
> In this lesson you will discuss various characteristics of limited companies and co-operatives. You will also examine advantages and disadvantages of these two legal forms of business organization.
>
> INTRODUCTION
>
> In lesson BL3, "Proprietorships and Partnerships", you discussed the two legal forms of business in which the liability of the owners is unlimited.
>
> In this lesson you will study the two legal forms of business in which the liability of the owners is restricted to the amount they have invested in the business (limited liability).

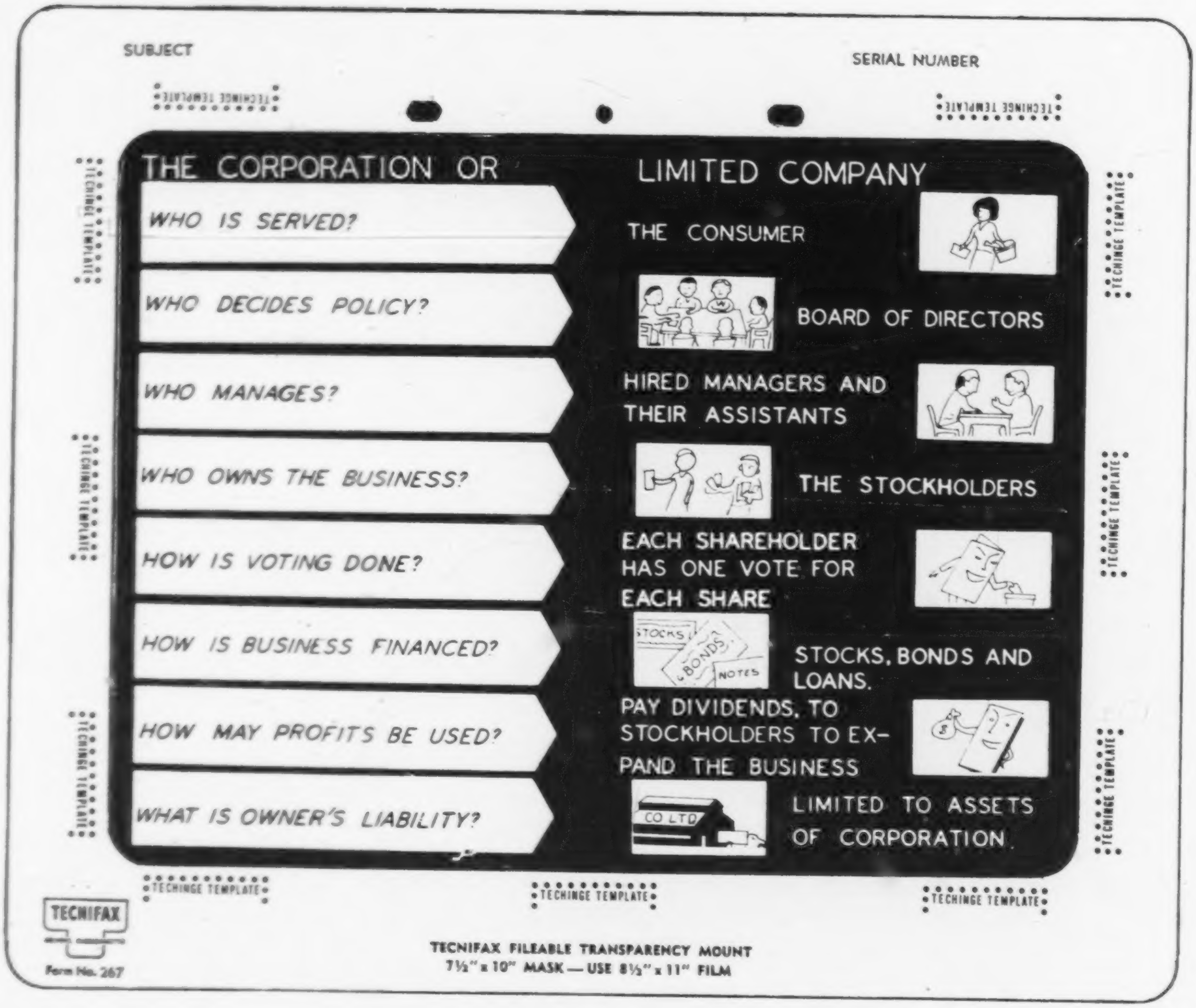
OBJECTIVE: STUDENTS WILL BECOME FAMILIAR WITH THE CHARACTERISTICS OF LIMITED COMPANIES AND CO-OPERATIVES AND WILL BE ABLE TO STATE THESE CHARACTERISTICS.

Stimulus

2. Show Projectual BL4-1, "The Limited Company (Corporation)". Ask the students: "Can anyone explain why there is a difference between who decides policy, who manages and who owns the business in the case of a corporation?" The answer is:
   a. People buy shares and become shareholders.
   b. Shareholders elect directors.
   c. Directors appoint managers.

3. Show Projectual BL4-2, "The Co-operative". Point out that setting policy, management and ownership are separate in a co-operative also.

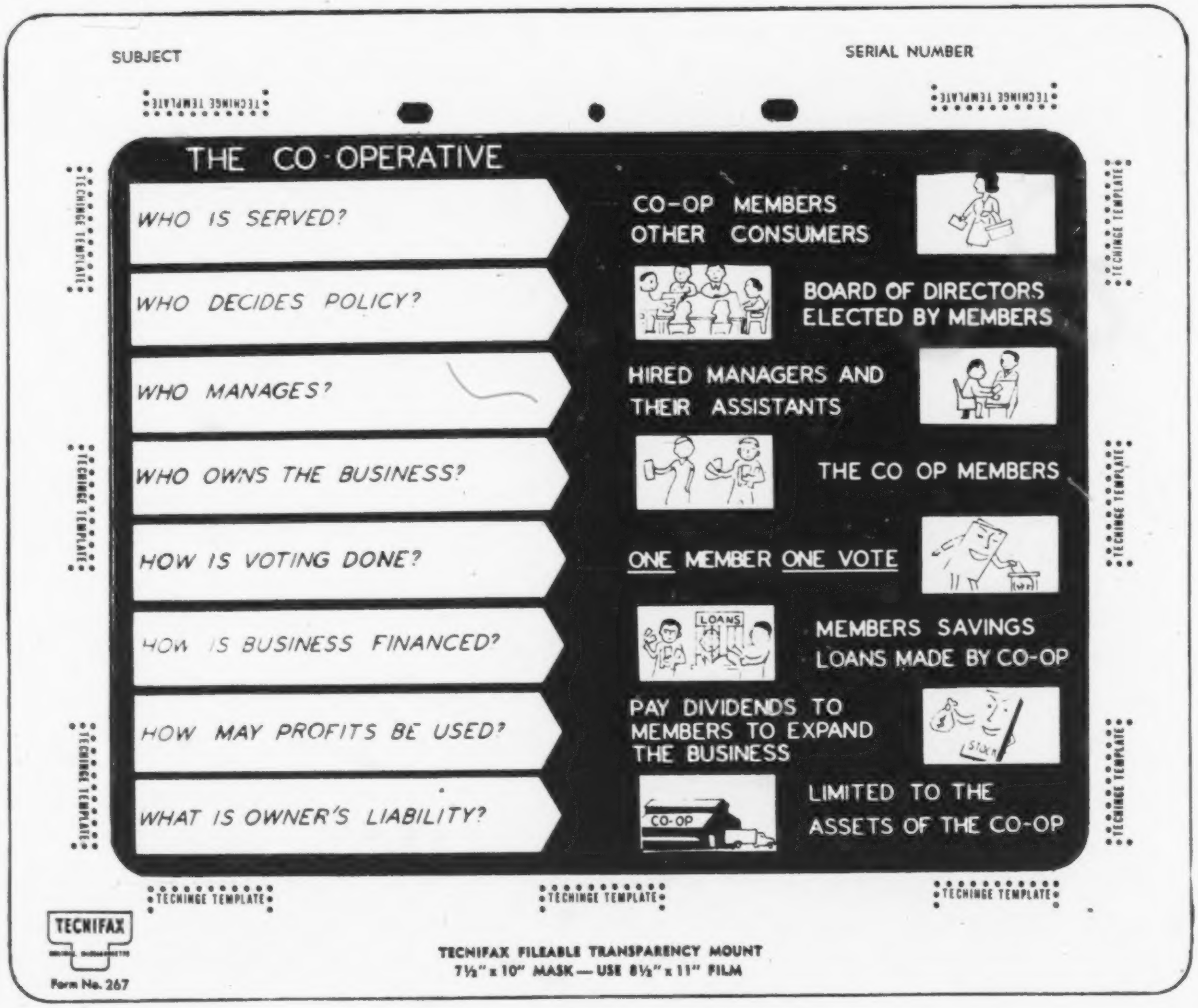
BL4-1 THE LIMITED COMPANY (CORPORATION)



THE CORPORATION OR	LIMITED COMPANY
WHO IS SERVED?	THE CONSUMER
WHO DECIDES POLICY?	BOARD OF DIRECTORS
WHO MANAGES?	HIRED MANAGERS AND THEIR ASSISTANTS
WHO OWNS THE BUSINESS?	THE STOCKHOLDERS
HOW IS VOTING DONE?	EACH SHAREHOLDER HAS ONE VOTE FOR EACH SHARE
HOW IS BUSINESS FINANCED?	STOCKS, BONDS AND LOANS.
HOW MAY PROFITS BE USED?	PAY DIVIDENDS, TO STOCKHOLDERS TO EXPAND THE BUSINESS
WHAT IS OWNER'S LIABILITY?	LIMITED TO ASSETS OF CORPORATION.

SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
STOCKS
BONDS
NOTES
CO LTD
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

BL4-2 THE CO-OPERATIVE



SUBJECT

SERIAL NUMBER

THE CO-OPERATIVE

WHO IS SERVED?	CO-OP MEMBERS OTHER CONSUMERS
WHO DECIDES POLICY?	BOARD OF DIRECTORS ELECTED BY MEMBERS
WHO MANAGES?	HIRED MANAGERS AND THEIR ASSISTANTS
WHO OWNS THE BUSINESS?	THE CO OP MEMBERS
HOW IS VOTING DONE?	ONE MEMBER ONE VOTE
HOW IS BUSINESS FINANCED?	MEMBERS SAVINGS LOANS MADE BY CO-OP
HOW MAY PROFITS BE USED?	PAY DIVIDENDS TO MEMBERS TO EXPAND THE BUSINESS
WHAT IS OWNER'S LIABILITY?	LIMITED TO THE ASSETS OF THE CO-OP

TECNIFAX

Form No. 267

TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

Clarify Problem

4. Show projectual BL4-1 again. Ask the students: "Is there a difference between the liability of the owners of a corporation and the owners of a proprietorship or a partnership?" Encourage discussion.

   Answer: In a proprietorship or partnership, the owners are subject to unlimited liability for business debts. In a corporation, liability is limited to the amount the owners have invested in the business.

   Ask the students: "What effect do you think this difference in liability will have on whether people invest in a corporation, proprietorship or partnership?"

   Answer: People are generally more willing to invest in a corporation if their liability is limited. This allows corporations to raise large amounts of money for large projects or business ventures, which may be considered too risky by investors if liability were not limited.

5. Show projectual BL4-2 again. State that members of co-operatives are subject to limited liability also.

Provide Information

6. Read Sections 1, 2, 3 and 4 of the Readings with the group. Stop where necessary and ask for questions.

1. Characteristics of a Limited Company (or Corporation)

There are several kinds of limited companies or corporations. In this course we are mainly concerned with BUSINESS CORPORATIONS, which are limited companies set up by private individuals to carry on business at a profit.

There are a number of other types of corporations which we will not be studying in this course, for example:

Crown Corporations
These are companies set up by the federal or any of the provincial governments; for example: C.N. Railway, Air Canada and Saskatchewan Power.

Charity Corporations
These are corporations set up for charity, religious, educational, and similar purposes, for example: Catholic or Anglican Churches.

a. Type of Business Corporations
There are two types of BUSINESS CORPORATIONS or LIMITED BUSINESSES, but no matter which type you are dealing with, the word LIMITED (abbreviated LTD.) must appear in the name of the company. The two types are:

(1) Private Companies or Corporations
Examples could be:
- Joe's Machine Shop Ltd.
- B & B Construction Co. Ltd.

(a) There must be at least two (in some cases three) and no more than fifty shareholders (owners) to form a private company.

(b) When a limited company is formed, people invest money in the company in return for which they receive shares. If the company wishes to raise further capital at a later date, it sells more shares to the same shareholders.

(c) Shareholders cannot transfer their shares of ownership in the company to another person without first getting approval from the Board of Directors.

(d) The shares of private companies are not sold on the stock exchange.

(2) Public Companies or Corporations
Examples could be:
- Ford Motor Co. Ltd.
- Massey Ferguson Co. Ltd.

(a) There is no ceiling (maximum limit) to the number of shareholders a public company may have, but there must be at least two.

(b) Money is raised by selling shares (also called stocks) and bonds to the general public, that is, to anyone who wants to buy them.

(c) The total capital of a business is divided into a certain number of shares of a specific value. As a person pays the sum for each share, he receives a share certificate indicating the number of shares he owns.

(d) Any shareholder can transfer (by gift or sale) his shares of ownership to any other person whenever he wishes.

(e) The shares of public companies are sold on the Stock Exchange. (You can see the prices of the shares (stocks) of various public companies by looking on the financial page of a newspaper.)

b. The Shareholders

Remember that the owners of a limited company are called shareholders.

(1) Each shareholder has limited liability. This means that should the business go bankrupt, he can only lose what he invested in the business (the purchase price of the shares he bought. He can be forced to pay any amount he still owes on those shares).

(2) Each shareholder is entitled to attend an annual shareholder's meeting. (Limited companies must hold yearly meetings to which shareholders are invited).

(3) At annual meetings, a shareholder can cast one vote for each voting share he holds. (There are two types of shares, voting and non-voting shares.)

(4) A shareholder may authorize another person to vote on his behalf. (This is called Proxy voting.)

(5) For public limited companies, each shareholder must be sent copies of the company's annual report.

(6) A shareholder in a private limited company must be given a copy of the annual report if he asks for it.

(7) All matters that are voted upon at annual meetings are determined by majority votes. The usual considerations at annual meetings are:

  (a) The president's report, in which the president comments on the performance of the company over the past year and talks about future plans.

  (b) The election of directors for the coming year.

(8) Profits of a limited company that are distributed to shareholders are called 'dividends'. When the board of directors has officially stated its decision to distribute some of the corporation profits to shareholders, this action is called 'declaring a dividend'. When a dividend is declared, each shareholder is entitled to receive a portion of the dividend which is determined by the number of shares he owns.

NOTE: The board of directors is not required to declare a dividend each time the company makes a profit. The profits can be retained for expansion (or other) purposes if the directors so decide.

c. The Directors

The directors of a limited company are persons elected by the shareholders to be responsible for the management of the company.

(1) Directors must be shareholders in the company.

(2) There must be at least two directors.

(3) The directors are in full charge of the company. They can make the following types of decisions:

  (a) Declare dividends
  (b) Decide on director's pay
  (c) Appoint company managers
  (d) Remove or fire company managers
  (e) Decide on when and where the annual meeting will be held.

d. Other Features of Limited Companies or Corporations

(1) The company profits are taxed as business profits.

(2) Any dividends a shareholder receives are regarded as personal income for that shareholder and are subject to personal income tax. (There is a tax credit provision to avoid double taxation)

(3) Ownership and management are separate.

(4) Because of the greater number of shareholders, the corporation is usually able to raise larger amounts of capital.

(5) The limited company continues to exist even if some of the owners (shareholders) die.

2. Characteristics of Co-operatives

Usually co-operatives are also limited companies, i.e. they are formed and incorporated in the same way as limited companies.

a. Types of Co-operatives in Canada

(1) Consumer's Co-operates
Consumer co-operatives sell retail goods to their members and to the general public. An example would be the co-op grocery stores which are located in many towns and cities. The goal of a consumer co-op is "the lowest possible cost for its members."

(2) Producer Co-operatives
Producer co-ops are marketing co-operatives where many small producers get together to sell their products, for example: milk, fish, butter, eggs, fruit. Examples of producer co-ops are co-op fisheries, co-op creameries, and co-op (Pool) grain elevators. The goal of a producer co-operative is "maximum benefit for sellers of the product".

(3) Financial Co-operatives (Credit Unions)
Financial co-operatives accept savings from members and make loans to them, for example, local credit unions. The goal of financial co-operatives is "good saving and easy, lower-cost borrowing for members".

(4) Insurance Co-operatives

Insurance co-operatives provide life, fire, hail, and other insurance to members. The goal of the insurance co-operative is "low cost insurance for members".

(5) Service Co-operatives

Service co-operatives provide members with services, such as housing, rural electricity, transportation, recreational facilities, machinery rental and even funerals. An example of a service co-op is a local housing co-operative. The goal of the service co-op is "cheaper and better service for members".

As you can see, co-operatives consist of many people working together to make things better for everybody. The basic idea may be expressed as follows: "Help yourself by helping others".

b. Features of Co-ops

(1) Money to start a co-operative (capital funds) is raised by the sale of shares to members and/or by the co-operative's borrowing money from a financial institution or government agency.

(2) Each member (no matter how much money he contributes to the co-operative) is entitled to only one vote. (i.e., one member - one vote).

(3) No voting by proxy is permitted.

(4) A board of directors, elected annually by the members, is responsible for the management of the co-operative. The board in turn usually hires a manager to run the co-operative.

(5) The profit or surplus of the co-operative is used to:

(a) Pay members interest on the money they contributed to start the co-operative.

(b) Pay a 'patronage return on dividends' to members. A patronage return is the share of the profit or surplus each member gets because he USED the co-operative. The dollar amount of a member's patronage return depends on how much business he has done with the co-operative, not on how many shares he owns.

For example, if a member has bought 5% of the goods sold by a co-operative grocery in one year, then he will get 5% of the profits made by the co-operative in that year. Even if he owned 20% of the shares of the co-operative he would still only get 5% of the dividends. Patronage returns, paid out of the profits of the co-operative, are deductible in determining the taxable income of the co-operative.

(c) Expand the business. Not all of the profit or surplus has to be paid out to members in the form of patronage return (dividends). Some or all of the surplus can be kept by the co-operative to pay for expanding the business. For example, a new warehouse or store building may be needed.

NOTE: Prior to January 1, 1972, co-operatives were exempt from taxation for the first three years of operation. This exemption was removed as of the above date.

(6) Members of co-operatives are subject to a withholding tax of 15% on the patronage returns (dividends) they receive from the co-operative.

(7) Since a co-operative is registered as a Corporation or Limited Company, the members of the co-operative have limited liability. That is, if the co-operative goes bankrupt a member can only lose the amount of money he originally put into the business.

3. Advantages and Disadvantages of a Private Limited Company (or Corporation)

Note that the following refer to a PRIVATE COMPANY, i.e., one with from 2 to 50 shareholders who own all of the business. Shares are not sold to the general public.

Advantages	Disadvantages
a. Limited liability. (The business exists as a legal entity.	a. Expensive to form. (It may cost $500 or more to incorporate.)

In case of bankruptcy, the shareholders of the company will lose the money they have invested in the business. They will not lose their personal assets if the business goes bankrupt).

b. More capital and talent. (Now many people can put their money and talents into the business.)

c. Professional managers can be hired.

d. Continuity. (The company will continue to exist even if some of the owners die.)

e. Taxes. (It may be cheaper tax-wise to form a company.)

b. Less freedom. (There are more government restrictions on companies.)

c. Lack of personal incentive. (If the shareholders don't manage the business themselves the hired managers may not be motivated to work hard as they don't share in the profits of the business.)

d. Taxes. (Sometimes it may be more costly tax-wise to form a company.)

4. Advantages and Disadvantages of Co-operatives

Advantages

a. Limited liability for members.

b. Members can save money on purchases (if a consumer co-op) and obtain more on sales (if a producer co-op).

c. All the members control the co-op by the one member - one vote principle. The members can control the decisions made by the managers.

d. Good for the community. (Members take interest and pride in the business because it is run by the people for the people.)

Disadvantages

a. Capital may be limited. (Members may not have much savings to invest in the co-operative).

b. Poor management. (Since members control management, management decisions may be slow or wrong.)

c. May be hard to organize. (People in the community may not favour the idea of a co-op.)

7. For each advantage and disadvantage of a corporation and a co-operative listed in the Readings, ask students whether the advantages and disadvantages of a proprietorship and a partnership differ or are the same. Encourage a good discussion to test the students' understanding of the four types of legal organization.

8. Read Section 5 of the Readings with the group. Encourage discussion.

5. Summary

The most important characteristic of both limited companies (or corporations) and co-operatives is limited liability.

In small private limited companies, the owners (called the shareholders) are often also the managers of the company. In public limited companies and co-operatives, however, separation of ownership and management is an important feature. The owners (shareholders) elect a board of directors, each of whom must also be a shareholder. The board of directors then selects managers for the limited company or co-operative.

Voting rights differ in limited companies and in co-operatives. In limited companies, the rule is one vote for each share owned, for example, 2000 shares mean 2000 votes. In the case of the co-operative, the rule is one member - one vote, regardless of the number of shares owned or money invested. (This prevents anyone from controlling the policy of a co-operative simply because he can afford to purchase more shares than the other members.) Also, voting is allowed by proxy in the limited company and not in the co-operative. This means that a shareholder in a limited company can authorize another shareholder to vote for him by signing an appropriate authorization form. Co-operative shareholders cannot vote by proxy.

The profits of both a limited company and a co-operative are taxed as business profits. In the case of a co-operative, the amount of patronage dividends paid out to members is deductible in determining the income of the co-operative (providing that the patronage dividend is paid out of business income).

Before deciding on the legal form of business organization that is most appropriate to the business you plan on starting, be sure to carefully evaluate the features and characteristics of proprietorships, partnerships, limited companies and co-operatives. In addition, you should seek the advice of a competent lawyer or chartered accountant. Once you have thoroughly considered all the factors involved, you will be ready to make a final decision. Once you have made that decision, you are ready to take whatever legal steps are necessary to put your business in operation, i.e., apply for licences, register your business, etc. These procedures are covered in lesson BL5, "Legal Steps Required in Setting Up Each Form of Business Organization".

Indicator

9. The answers to questions and the discussion by the students serve as the indicator. Review any points that are not clear.

SUBJECT BUSINESS LAW

LESSON BL5 LEGAL STEPS REQUIRED IN SETTING UP EACH FORM OF BUSINESS ORGANIZATION

INSTRUCTOR'S GUIDE

OVERVIEW

In lessons BL2, BL3 and BL4, we discussed the characteristics and the advantages and disadvantages of the four main legal forms of business organization. In this lesson the actual legal steps required in setting up each form of organization are discussed.

Proprietorships and partnerships are relatively easy to set up. Legally they require nothing more than a licence to collect sales tax and a business licence in most cases. A proprietorship must be registered if the owner's name does not appear in the name of the business. Most provinces require that partnerships be registered. It is also wise to have a written partnership agreement prepared by a competent lawyer. This prevents disagreements due to a lapse of memory.

The formation of limited companies and co-operatives is somewhat more complicated, requiring specific procedures set out in detail by common law or statute.

Limited companies may be formed by either the Registration System or the Letters Patent System, depending on the particular province. In those provinces that use the Registration System, a limited company must register its Memorandum of Association with the Registrar of Joint Stock Companies before it can open for business. In those provinces that use the Letters Patent System (also used by the federal government), three adults petition the Provincial Secretary (or the Secretary of State) for the incorporating document called Letters Patent. Once this document is issued, the company is authorized to open for business.

A co-operative is formed by applying to the Provincial Department of Co-operation in Manitoba and Saskatchewan.

In other provinces, formation of a co-operative is usually handled through the Provincial Secretary or the Registrar of Joint Stock Companies. In any case, the procedure is similar to the formation of a limited company.

The formation of a limited company requires substantial planning and the services of a competent lawyer; that of a co-operative is usually handled by an advisor from the Department of Co-operation (in those provinces that have such a department). In other provinces it would likely be advisable to retain the services of a lawyer.

It is important to remember that, under either system, there are certain procedures that must be followed before the firm has legal standing allowing it to do business with the public. If these procedures are not followed, the firm can be penalized. It is important to ensure that the proper steps are taken in organizing a limited company or co-operative before attempting to do the other jobs that must be done.

OBJECTIVE

Students will become familiar with the legal steps required to set up each of the four forms of business organizations.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Anger, William H. and Anger, H.D. Summary of Canadian Commercial Law. 18th rev. ed. Toronto: Sir Isaac Pitman (Canada) Ltd., 1962, chs. 15 and 16.
2. Chapman, F.A.R. Fundamentals of Canadian Law. Toronto: McGraw-Hill Company of Canada Ltd., 1965, chs. 23, 24.
3. Hastings, Paul G. Introduction to Business. Toronto: McGraw-Hill Company of Canada Ltd., 1968, ch. 3.
4. McNaughton, Wayne L. Introduction to Business Enterprise. 2nd ed. Toronto: John Wiley and Sons Inc., 1970, chs. 4, 5.
5. Pugsley, William H. Canadian Business Organization and Management. Toronto: McGraw-Hill Company of Canada Ltd., 1965, chs. 6, 7, 8.
6. Smyth, James E. and Soberman, D.A. The Law and Business Administration in Canada. 2nd ed. Scarborough, Ontario: Prentice-Hall of Canada Ltd., 1963, chs. 26, 27, 28.

BL5

RESOURCES REQUIRED

1. Flip chart

METHODOLOGY

1. Hand out the Readings; read the Purpose and Introduction.

PURPOSE

In this lesson you will be studying and discussing the legal steps that you must take in setting up each form of business organization, i.e., proprietorship, partnership, limited company and co-operative.

INTRODUCTION

In lessons BL2, BL3, and BL4 you evaluated and discussed the nature, characteristics, advantages and disadvantages of each form of business organization.

In this lesson you will be examining and discussing the various legal steps that are required after you have decided on the form of business organization you want. These steps include such things as registration of your business and application for licence.

OBJECTIVE: STUDENTS WILL BECOME FAMILIAR WITH THE LEGAL STEPS REQUIRED TO SET UP EACH OF THE FOUR FORMS OF BUSINESS ORGANIZATION.

Stimulus

2. Ask the students: "Does anyone know what legal steps you would have to take in setting up a proprietorship?" Point out that by legal steps you mean application for licences, registration of the business, etc. List the students answers on the flip chart.

Ask the students: "Does anyone know the legal steps that are necessary in setting up a partnership? A limited company? A co-operative?"

Student answers about each one of these should be listed separately on the flip chart.

Clarify Problem

3. Have the group discuss the points that have been listed on the flip chart. Have each student who made a suggestion explain why he thinks it is a necessary legal step in the formation of that type of business.

   Encourage discussion to the fullest extent possible so that students have an opportunity to suggest all points of which they are aware. For example, if a student suggests that a partnership should be registered, the instructor might ask: Why?

   > Is further registration necessary for any reason at any time?

Provide Information

4. Read Sections 1, 2, 3, 4, and 5 of the Readings. Stop and encourage questions and discussion. Clarify as necessary.

CONTENT

1. Formation of a Proprietorship

   In terms of legal requirements, a proprietorship is the easiest form of business organization to set up. The following steps should be taken:

   a. You will have to apply to the Taxation Branch of the Provincial Treasury Department to obtain a VENDOR'S (seller's) LICENCE, which allows you to collect SALES TAX.

   b. You must apply to the local city hall, municipal office, or possibly band council, to obtain a BUSINESS LICENCE. You have to pay a FEE for this licence every year.

   c. You, of course, may use your own name for the name of your business. You may also use a 'made-up' name as long as the same name has not been registered by someone else or as long as the name does not mislead the public. If you do use a coined name, you must register it by providing full particulars about your business to the Registration Clerk of your registration district (in the local Registry Office).

   NOTE: A proprietor is not allowed to use 'LTD' or 'LIMITED' in the name of his business.

2. Formation of a Partnership

The following steps should be taken:

a. A partnership agreement may be oral (verbal) and be valid but an oral contract is subject to flaws of memory. For this reason it is wise to prepare a written record of the partnership agreement. The partners may agree to whatever terms they wish, provided the terms are not illegal. The main reasons for preparing a partnership agreement is to set out as clearly and carefully as possible:

(1) The date of the agreement

(2) Names and addresses of the partners

(3) Name, address and purpose of the firm

(4) Term of the partnership (that is, whether it is formed for a definite or an indefinite length of time)

(5) Amount of capital investment, and amount of any interest it is to bear

(6) Opening of a bank account and the signing of cheques

(7) Keeping books of account, annual audit

(8) Drawing privileges of partners

(9) How profits and losses will be distributed

(10) Loans to firm by partners, or by firm to partners

(11) Limiting the extent to which each partner is allowed to obligate the firm on his own (e.g., obligations over $500 must not be entered alone)

(12) Hiring and dismissing of employees

(13) The time that each partner will devote to the business activities of the firm

(14) How responsibilities will be divided

(15) How assets or liabilities will be divided if the partnership is dissolved

(16) The procedures that will apply in buying out a partner who leaves the partnership for any reason

(17) Carrying of life insurance on partners for benefit of other partners and/or the deceased partner's estate

(18) Procedures that will apply in settling grievances that arise from time to time (usually arbitration).

NOTE: A partnership agreement should not be drawn up by the partners themselves. Legal counsel is necessary if you want a properly drawn agreement. In fact, each partner should have his own lawyer to ensure that his interests are properly protected.

b. Almost all provinces require that a partnership be registered within a statutory time limit. Failure to do so can result in a substantial penalty.

Registration consists of filing the following information with the proper registry office.

(1) full names and addresses of each partner

(2) the name of the business

(3) when the partnership was formed

(4) a declaration that the persons named are the only members of the partnership, and

(5) a declaration that the partners are of legal age, or the birth dates of partners under that age.

NOTE: The time limit and place of registration differs in the various provinces as follows:

Saskatchewan: Within six (6) months after formation, in the office of the Registration Clerk of the Registration District in which the business is located.

Manitoba: Within one (1) month after formation, in the judicial district in which the business is located. A copy of the information contained in the registration must also appear in the Manitoba Gazette.

Alberta, the North West Territories, & Yukon: Within six (6) months (two [2] in Yukon) after formation, in the office of the Clerk of the Registration District in which the business is located.

British Columbia: Within three (3) months after the business starts operating, in the office of the Registrar of the local County Court.

Ontario: Within sixty (60) days after the formation of the partnership, in the office of the Registrar of the Registry division in which the business is located.

Quebec: Within fifteen (15) days after formation of the partnership, in the office of the Prothonotary of the Superior Court of the district in which the business is located.

New Brunswick: Before commencing business operations, in the office of the Registrar of Deeds of the county where the business is located. Notice must appear a number of times in a local newspaper or twice in the Royal Gazette if there is no local newspaper.

Nova Scotia: Before commencing business operations, in the office of the Registrar of joint stock companies.

Newfoundland: Within thirty (30) days after formation, in the office of the Registry of Deeds.

Prince Edward Island: Within three (3) months of formation of the partnership, in the office of the deputy Prothonotary of the Supreme Court. A copy must be published in the Royal Gazette.

NOTE: If a partnership is dissolved or if there is a change in membership or name of the partnership, a declaration must be filed immediately with the appropriate registry office (the one with which the partnership was originally registered).

c. The partnership must apply to the Taxation Branch of the Provincial Treasury Department to obtain a VENDOR'S (Seller's) LICENCE which allows the partnership to collect SALES TAX.

d. It must also apply to the local city hall, municipal office, or possibly band council, to obtain a BUSINESS LICENCE. A FEE must be paid for this licence each year.

NOTE: A partnership cannot use 'LTD' or 'LIMITED' in the name of its business.

3. Formation of a Limited Company (Corporation)

a. Methods of Incorporation

(1) Royal Charter
The oldest method of incorporation is by royal charter granted by the King or Queen. Until the nineteenth century all companies were created by charter. Some companies that were created by charter are still in existence; the best known to Canadians is the Hudson's Bay Company. In a few cases royal charters are still issued to universities and charitable institutions today, but not to business corporations.

(2) Special Acts
At the end of the eighteenth century Parliament began to pass special acts (or statutes) to incorporate companies for large projects. Today special acts are still used to incorporate such companies as the Canadian Pacific Railway, Central Mortgage and Housing Corporation, the Canadian Broadcasting Corporation and Air Canada. Banks and trust and loan companies are also incorporated under special federal acts.

(3) General Acts

(a) The English System of Registration
This type is referred to as the REGISTRATION SYSTEM. This system is used by British Columbia, the North West Territories, Yukon Territory, Alberta, Saskatchewan, Nova Scotia and Newfoundland. The company, according to the regulations, must register a document (an agreement) with the Registrar of Joint Stock Companies for the particular province in which the business is located. This document (or agreement), which specifies the terms under which the company is being formed, is called a MEMORANDUM OF ASSOCIATION.

The Registrar of Joint Stock Companies examines the Memorandum of Association. If it contains all the required information, it is officially registered and the limited company or corporation comes into existence.

A Memorandum of Association contains the following types of information:

(i) The name and address of the company.

(ii) The name, address and occupation of each person who is applying to have the company incorporated.

(iii) The objects of the new company. The objects specify what activities the corporation will engage in when it is incorporated. A corporation is prevented from undertaking activities that are not included in its objects. If it does undertake activities that are not set out in its objects, these activities are considered 'ultra vires' (beyond the scope of the corporation) and are, therefore, void.

(iv) The authorized capital of the company.

(v) Whether the company is to be public or private.

(vi) The names of the persons who will be the company's first directors.

(vii) The number of shares each applicant will be purchasing.

(viii) The signatures of the applicants and the witnesses.

NOTE: The Memorandum and the required fee is sent to the Registrar of Joint Stock Companies. The Registrar checks it over, registers it, and the corporation is then ready to do business.

(b) The Letters Patent System
This system is used by the federal government and by the provinces of Manitoba, Ontario, Quebec, New Brunswick and Prince Edward Island.

Under this system, three adults petition the Secretary of State (if the petition is being made to the federal government), or the Provincial Secretary (if the petition is being made to the provincial government). A limited company is formed when the Secretary of State or Provincial Secretary issues an incorporating document called the LETTERS PATENT.

The petition shows the following:

(i) The proposed name of the company.

(ii) The objects of the company.

(iii) The place where the head office is to be located.

(iv) The amount of the capital of the company.

(v) The number of shares and the classes of shares authorized.

(vi) The value of each share (known as the 'par value'), or the number of shares with no par value (later on as it sees fit, the company can set a value on these shares).

(vii) The full name, address and occupation of each petitioner.

(viii) The names of at least three (3) persons who will be 'provisional directors' of the company (who will organize the company and then turn over the management to a board of directors elected by the shareholders.)

(ix) The number of proposed directors of the company, if known.

(x) Any other information which may be desirable or valuable.

NOTE: The petition and the required fee, together with a MEMORANDUM OF AGREEMENT signed by the Petitioners, is sent to the Secretary of State or to the Provincial Secretary.

If all documents are in order, Secretary issues a charter to the company by a document called LETTERS PATENT. Once this document has been issued, the company is ready to do business.

b. Comparison of Registration System and Letters Patent System

(1) Registration System

(a) Under this system a limited company is formed when its memorandum of association is officially registered.

(b) The operating rules of this type of company must also be registered after they have been passed by a 3/4 majority of the shareholders. These operating rules are called ARTICLES OF ASSOCIATION.

(c) The Registration System is based on statute law.

(2) The Letters Patent System

(a) Under this system a limited company is formed when the Secretary of State or Provincial Secretary issues an incorporating document called Letters Patent. This agreement is not registered, it is issued.

(b) The operating rules of this type of company are called BY-LAWS. The By-laws do not have to be registered.

(c) The Letters Patent System is a direct outgrowth of the royal charter system of incorporation and is based on the common law. As a result the Letters Patent system is more formal and the procedures more detailed than under the Registration System.

4. Formation of a Co-operative

Detailed information can be obtained from the Provincial Department of Co-operation in Saskatchewan and Manitoba. In the other provinces the Provincial Secretary or the Registrar of Joint Stock Companies would be able to provide you with the information required or could direct you to the proper department.

Regarding the formation of a co-operative the following points are important:

a. Remember, Co-operatives are also limited companies; they are incorporated and are formed in a way similar to limited companies.

b. In Saskatchewan and Manitoba co-operatives are formed by applying to the Provincial Department of Co-operation.

c. Much of the work in setting up a co-op involves organizing the people of the community. Many people have to unite their efforts to make things better for everybody. (Discussion meetings must be held with the people to explain the purposes and advantages of the co-op; a memorandum of association must be drawn up and sent in to the Department of Co-operation; a provisional board (temporary board of directors) has to be set up to look after setting up the business; then later a general meeting has to be held to draw up by-laws and elect a permanent board of directors).

5. Summary

As you have seen, a proprietorship is the legal form of business organization which is easiest to set up. In most provinces you are required to obtain a Vendor's licence from the provincial government; this licence gives you the authority to collect sales tax. In addition, a Business Licence is usually required by local authorities (municipality, city, bank council, etc.). You do not have to register your business unless you use a 'made-up' name for it. Even when you do have to register your business, the procedure is relatively simple. A proprietor is not allowed to use the terms 'LTD' or 'LIMITED' in the name of his business.

In the formation of the partnership, the limited company, and the co-operative, both a Vendor's licence and a Business Licence are required.

When forming a partnership, one of the most important steps to take is to prepare a written agreement with all the necessary terms. All provinces require that a partnership be registered with the appropriate government department. The partnership (like the proprietorship) cannot use 'LTD' or 'LIMITED' in the name of the business.

A limited company is formed by either the registration system or the granting of letters patent. The federal government and some of the provinces use the registration system.

The letters patent system, used by the other five provinces, is a more complicated and formal system. Under either system, application procedures are similar.

A co-operative is formed in much the same way as a limited company. However, there is usually special legislation that applies to the formation of a co-operative. Some provinces, such as Saskatchewan and Manitoba, have Departments of Co-operation.

5. The instructor should briefly summarize the legal steps required in forming each type of business. Most of this material is set out in the "Overview."

Indicator

6. Divide the students into four groups; each group is to take one of the forms of business organization. Ask the members of each group to determine among themselves the necessary legal steps for the particular type of organization they are dealing with, without using the Readings as reference, and to write down these steps as completely as possible.

   Have a spokesman for each group list on the flip chart the steps that members of his group have suggested. Encourage the members of the other groups to point out errors or omissions in each presentation. Discuss as long as necessary.

SUBJECT MARKETING

LESSON MKT4 THE RIGHT PRODUCT AND THE RIGHT SERVICE

INSTRUCTOR'S GUIDE

OVERVIEW

In lesson MKT2, the student learned that the existence of a market required people or businesses who have a need for, an ability to pay for and a willingness to buy a product or service. This lesson looks at the factors which are required to make the market realizable. For a market to exist, the customer must be given a product or service which he wants at the right price, place and time.

This lesson should give the students the idea that the businessman's job is to serve the customer's needs; in this way he is enabled to make a profit. To serve the customer's needs, the businessman must be aware of consumer needs and wants for products and services. He must know the prices of his products at which he can make a profit and which the customer is still willing to pay. If he cannot provide the product or service at the price the customer is willing to pay, he is better off not to sell the product.

The lesson material may be learned more easily if the instructor encourages the students to relate their experiences concerning the lesson material, and presents his own experiences. This will help the students see the practical aspects of the material.

OBJECTIVE

The students will discuss the similarities and differences between a product and a service, and the importance of offering the right product and the right service to meet the needs of the market.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Kelley, Eugene J. Marketing Strategy and Functions. Englewood Cliffs: N.J.: Prentice-Hall of Canada Ltd., 1965, ch. 6.
2. Kotler, Philip. Marketing Management: Analysis, Planning and Control. Englewood Cliffs, N.J.: Prentice-Hall of Canada Ltd., 1967, ch. 13, 14.
3. McCarthy, E. Jerome. Basic Marketing: A Managerial Approach. 4th ed. Georgetown, Ontario: Irwin-Dorsey Ltd., 1971, chs. 10, 11, 12, 13, 14.

RESOURCES REQUIRED

1. Case MKT2-2, "Paul's Problem"
2. Flip chart.

METHODOLOGY

1. Hand out the Readings; read and discuss the Purpose and Introduction.

PURPOSE

In this lesson we will be discussing products and services; that is, what they are and some of their characteristics. We will also discuss the importance of being service-minded, and the ways in which this approach can make your business "something special" in the eyes of your customers.

INTRODUCTION

The success of your business will depend largely upon having repeat customers. If you have the right products and provide the right service, customers will be likely to patronize your business on a regular basis. You may even attract some customers away from your competitors.

MKT4

OBJECTIVE: THE STUDENTS WILL DISCUSS THE SIMILARITIES AND DIFFERENCES BETWEEN A PRODUCT AND A SERVICE, AND THE IMPORTANCE OF OFFERING THE RIGHT PRODUCT AND THE RIGHT SERVICE TO MEET THE NEEDS OF THE MARKET.

Stimulus

2. Ask: "How would you define a product?" "How would you define a service?"

   List students' definitions on flip chart.

Clarify Problem

3. Discuss these definitions. Ask: "Is it possible to sell just a product, or is there always some service involved?" Discuss.

Provide Information

4. Read and discuss Section 1 of the Readings.

CONTENT

1. Products and Services

Everything sold is either a PRODUCT or a SERVICE. When going into business you must ask yourself, "Am I going to sell a product, or a service, or both?" There are many similarities in marketing products and marketing services, but there are some differences.

a. What is a Product?
Products are often called goods. A product or good is:

(1) something of value
(2) something that can be picked up and/or handled (it is something physical or tangible)
(3) something that can be felt and seen
(4) something that can be stored up and used at a later time.

We say that a product or good is something physical you can see and handle, now or later. Can you list examples of products or goods?

b. What is a Service?

(1) A service is something a person or business does
(2) It has a value
(3) It cannot be stored up because it is used up at the same time that it is being produced.
(4) It cannot be seen or felt or smelt. (It is intangible, i.e., not physical).

A service is made, bought and used at the same time and in the same place. Examples include: taxi service, barber service and delivery service. Can you list other examples?

c. Likenesses and Differences in Selling Goods and Services

(1) When you make a product, you don't have to sell it right away. You can put it on a shelf or into a warehouse and keep it for a time. But with a service, you make it at the same time as you sell it.

(2) You have to plan for storing and handling goods but you don't have to worry about handling and storing services.

(3) Whether you are selling goods or services, you have to remember to give the customer what he wants.

(4) You must also remember that every time you sell a product, you are also selling a service. For example, if you own a service station and sell someone gas for his car you also give him some services: You check the oil, wash the windows, give him road directions, etc. These are all services, things you do to try and satisfy your customer since you want him to return to your station the next time he needs gas. The services you give the customer are often more important than the product you sell him. Have you ever said, "I won't buy from him again?" Did you ever think why you said this? It was probably because he gave you poor service. You may have had to wait too long or perhaps the person was unfriendly to you when he sold you the product.

Remember, you never sell just a product. There are always some services you can give the customer. You and your hired help should be service-minded.

5. Ask students to list on the flip chart some of the items they have bought in the last month or so. Ask them to classify these items into products and services. Discuss.

6. Refer students to Case MKT2-2, "Paul's Problem", from Lesson MKT2, "What is a Market?" Tell them to think about how Paul served his customers while you read the case again.

   Ask the following questions. Discuss each question.

   a. "Did Paul's unwillingness to give service hurt his business?" Yes. He lost customers to Johnson's Store.

   b. "What services could Paul have offered?"

      (1) He could have offered the right merchandise, i.e. work shirts instead of fancy shirts.

      (2) He could have changed store hours or at least stayed open later to fill needs of late buyers (especially since he knew that a lot of people had to get supplies after they came in off the lakes and before they went back in the morning). Paul exhibited an extremely hostile attitude on this point and drove many customers to Johnson's Store.

      (3) Paul should have recognized that people liked to stand around and talk while they were in the store to buy something. By telling the people that they couldn't stand around and talk in his store, Paul showed that he didn't know that the store was considered to be a meeting place where the shopper caught up on the latest news while buying goods.

   c. "What services can any business offer?"

      (1) friendly service
      (2) the right product
      (3) advice on buying
      (4) help in using products

7. Give examples of different types of business (service station, restaurant, outfitter, etc.) and ask group to list the services that are important in each business. Also remind them of the idea that "You never sell just a product; there are always some services you can give your customer."

8. Read Sections 2, 3 and 4 of the Readings.

2. Marketing or Merchandising Principles

To make a profit (which is necessary if your business is to continue operating) you must satisfy the needs and wants of your customers. This means that you provide them with the things they need and want and you make a profit at the same time.

The following marketing or merchandising principles can help you to make your business successful:

Provide the right product
at the right price
in the right place
at the right time.

a. What is the RIGHT PRODUCT?

You must stock the products that the customer wants. You should think of what your market needs before you make or purchase products to sell.

Having the right product or services for your market is a big step in helping to ensure good sales.

b. What is the RIGHT PRICE?

The Right Price is a price the customer is willing to pay. If people think your prices are too high, they might not want to buy from you. If they go to your competition, you will lose business. The price you put on your products must be one that people are willing to pay. Can you list examples where you wanted to buy something but it wasn't selling at what you considered the right price?

c. What is the RIGHT PLACE?

By the right place we mean having the product where it is the most convenient for the customer. Customers might buy from you because you have the best business location. Your business may be the most convenient to them. For example, service stations are located at different places in the town. This makes it convenient for car drivers.

The right place can also mean having stock located in convenient places within your business. For example, if you run a general store you should put one type of product (e.g. hardware) in one place and another type of product (e.g. groceries in a different place. You will study more about the proper place to keep your stock and the proper way to display it in later lessons.

Can you think of a business that has its products arranged in the right place? In the wrong place?

3. Satisfying your Customers through Service

a. Are You Really Service-minded?

"I serve my customers, "the store owner said, "and that means more than selling them products." That store owner was expressing a belief that is too often forgotten by many small businesses. Remember, if 'service-mindedness' is missing, it may hurt your business. Every business depends a lot on having repeat customers. Your objective should be to have the customer return time and time again.

b. The Willingness to Serve

The quality of the services you will offer will be a very important factor in attracting and keeping customers. The willingness to give personalized service is one of the best assets you have to help you compete against other businesses.

c. A Closer Look at Service-mindedness

If you asked a dozen persons working in business what they meant by 'service-mindedness', you'd get a dozen different answers. There appears to be no one definition. One person might think of service as a simple act of selling. Another may think of it as all the jobs of marketing. A third person might tell you that service is the filling of a need. Basically, all these answers are probably correct, because service means many things.

If you are indeed willing to serve, you should make yourself familiar with the needs of your community. These needs may change from time to time. For instance, suddenly there is an unexpected demand for an item, so you increase your stock in that line. This is part of being service-minded. You know best when people in your area like to shop, so you adjust your store hours to their wishes. That, too is part of service-mindedness.

Service-mindedness IS important. Below are two examples:

Example 1: Two stores - two attitudes

Mrs. Fred Fisher, went to one of the two general stores in town to get some flour. She told the manager that she wanted fifty (50) lbs. of flour. The manager called the clerk and told him to help Mrs. Fisher with the flour. The lady lived only a little ways from the store so the clerk carried the flour home for her. Mrs. Fisher liked shopping at this store because all the people there were so friendly. She told her friends how friendly the people in that store were and now many of her friends buy there.

This little bit extra in service and friendliness had pleased Mrs. Fisher. She remembered when she had once gone to the other store to get some cloth which was on sale.

When she went into the store she saw that it was nice and clean, goods were well-displayed and it was well-lighted. So far so good. Then she asked for some of the cloth which was on sale.

"What else?" the manager asked, tossing the parcel onto the the counter.

"That's all, thank you."

"They sure know a bargain when they see one," the manager complained out loud. "We got other stuff too, you know."

As Mrs. Fred Fisher was paying for the cloth she promised herself never to go back to that store. She never did go back and she has told all her friends and relatives how unfriendly the people were at this store.

Example 2: Few products or many products.
Jack's general store in a certain town sells some dry goods and groceries but is best known for the line of fishing equipment it sells. No other store for miles around can compete with it on this score. In fact, you might call it a 'fisherman's' store, for many of the fishermen get their fishing supplies there. Even outfitters tell their tourists to get their fishing needs at Jack's store.

On the other hand, Lusik's general store, in another town, offers a larger variety of dry goods and groceries. This store is selling to people with different needs. The people in this town are farmers, trappers, and miners. There aren't many fishing places nearby, so there is no need to have a good supply of fishing equipment.

The 'willingness to serve' is the big reason for the success of these two general stores. And the success is due to planning. How did the owners arrive at such opposite ideas of what to sell?

Both men asked their clerks to make a note each time an item was asked for that the store did not carry. They checked with other people who ran stores in the area, as well as checking their records to see which items were most popular. Soon each owner had a good idea what his customers wanted and was able to decide what type of goods he should carry.

Jack's general store carried a lot of fishing supplies. We say that Jack has SPECIALIZED. On the other hand, Lusik decided to carry many different types of products. We say that Lusik has DIVERSIFIED.

Both men have the same objective; that is, serving their customers with the kind of products they want. That, after all, is the basis of all business.

You must remember that it is impossible to carry every kind of product that customers will want. You must also remember that depending on just one product (or products that are all alike) can get you into trouble if people suddenly don't need these products any more. You must make a decision on what to carry so that you get a good turnover on your stock.

4. Summary

You can help ensure the success of your business by having the right products, at the right price, in the right place, at the right time.

Business success also depends on being service-minded. People generally like to patronize a business at which they are made to feel welcome. In fact, they will usually become regular customers. In addition, they will tell their friends about your business and influence them to shop there as well.

Being service-minded helps to attract and keep customers and helps to make your business 'something different' in the eyes of your customers.

9. Discuss the Readings. Tell students that it is quite easy to forget the customer's need for products and service when the manager and staff are busy doing their many other jobs. Stress the importance of training staff in service-minded attitudes.

10. Ask students to discuss experiences they have had in which they did not get the right product or service. How could the situations have been corrected?

Indicator

11. Discussion during the lesson. Review if necessary.

SUBJECT PRODUCTION MANAGEMENT

LESSON PROD2 WHAT PRODUCT SHOULD YOU PRODUCE?

INSTRUCTOR'S GUIDE

OVERVIEW

The success of a production business depends upon its ability to produce and sell products at prices which will generate the required revenues. The success or failure of a production business revolves around its products. Product decisions are too important to be approached in an off-the-cuff manner. There must be careful planning and analysis of the factors that will or can affect the product.

The factors that will affect the product decision are:

1. Facilities and Organization - what is required to produce and sell the product?
2. Sales Potential - how much, why, and when will your customers buy?
3. Costs - can you make the product at a cost which will allow you to set a reasonable price?
4. Sales Promotion and Growth - will sales promotion lead to more sales? How much and what type of promotion is required? Can you meet additional production demands with your present plant?
5. Money Requirements - how much initial investment is required? How much money do you require for operating capital? Will your revenues generate the money needed for expansion?
6. Labour Requirements - how many and what type of employees do you need? Are you going to pay wages or some other from of compensation for labour (such as piece work)? Do you need training programs? Where can you get the needed employees?

7. Supply Sources - what raw materials and components will you need? Where can you obtain the supplies required in the quantity and quality needed? What prices must you pay for your supply of raw materials?

8. Transportation - How are you going to handle raw materials and finished goods? Do you need special transportation? Do other factors outweigh transportation costs?

9. Acceptance by Community - what is the general feeling of the population to your operation? Will the community help or hinder your business?

10. Legal Requirements - what licences are required? What processes are patented and cannot be used by you. How do you patent your process? What are the local business requirements?

Before a businessman commits himself to the setting up of a production plant he should carefully evaluate the above ten areas. He must weigh both the long-run and short-run costs against the benefits in order to judge what his chances of success are. A careful evaluation of these areas should help him make the decision of whether or not to go into the production of a certain product.

OBJECTIVE

The student will be able to discuss the factors that should be investigated when deciding what product to produce.

REFERENCE MATERIAL FOR INSTRUCTOR

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7. Pessemier, Edgar A. New Product Decisions: An Analytical Approach. New York: McGraw-Hill Book Company, 1966.

8. Rathmell, John M. Managing the Marketing Functions. New York: John Wiley and Sons, Inc., 1968.

9. Seymour, Robert G. "How the Small Plant Can Analyze Old and New Markets." Management Aids for Small Business, Annual No. 1, 1958, pp. 52 - 59.

RESOURCES REQUIRED

1. Case PROD2-1, "What Can Be Done?"

METHODOLOGY

1. Hand out the Readings.
2. Read the Purpose and Introduction.

PURPOSE

The purpose of this lesson is to discuss some of the factors you should investigate before investing your time and money in a production business.

INTRODUCTION

Many people have started production businesses because: they thought people would like to buy their product; they thought they would like to sell a certain type of product; they felt that their business would help preserve an old art or craft. Many people have failed in production business because: people didn't buy enough of their product; people didn't need the product they were selling; the money coming in from sales could not meet the costs of production, pay back loans, and at the same time give the businessman a reasonable return on his investment. Before going into a production business, therefore, you should carefully investigate your chances for success.

3. Discuss and clarify Purpose and Introduction.

OBJECTIVE: THE STUDENT WILL BE ABLE TO DISCUSS THE FACTORS THAT SHOULD BE INVESTIGATED WHEN DECIDING WHAT PRODUCT TO PRODUCE.

Stimulus

4. Ask if in playing the Production Game a choice of products would have solved the problems faced.

Clarify Problem

5. Ask the students to list on the flip chart the factors they would have to consider when deciding which product to make.

Provide Information

6. Read Section 1 of the Readings.

CONTENT

1. Deciding on a Product

"A good idea is not necessarily a profitable idea."

Every year hundreds of new products are produced and put on the market. Very few of these new products survive. Many of them are removed because people aren't buying them; others because they are replaced by newer and better products; and still others because costs of production have become too high. These products represent plans that don't prove feasible.

Each year many new businesses are set up to produce products already being offered on the market. These range from bakeries, sawmills, and handicraft shops to the most complex operations. Many of these new businesses fail soon after opening because of the failure to sell their products at a price which will cover all expenses and costs, and provide the required return on investment. Others fail because of problems which arise when they don't check legal aspects such as patents on the design and/or the process of the product. Still others fail because they are unable to sell their product in enough volume to provide revenues which will cover expenses and costs, and provide a reasonable return on investment.

What does this mean to you as potential business managers? Before investing too much time, money, and hope on a production operation you must investigate the situation very carefully to see if it really has a chance of succeeding. Some of the areas that should be investigated are:

a. Facilities and organizational requirements
b. Sales potential
c. Costs
d. Sales promotion and growth
e. Money requirements
f. Labour requirements
g. Supply sources
h. Transportation
i. Acceptance by community
j. Legal requirements.

Only after carefully investigating the above areas can you commit yourself to the production operation with some confidence. This is not saying you will fail if you don't investigate all of these areas, but that by basing your decision upon the results of careful study, you will increase your chances of success.

7. Ask students if they know of any "good ideas" which have turned out to be non-profitable as far as a production business is concerned. Discuss and try to find out what factors lead to the failure of these products.

8. Read Section 2 of the Readings.

2. Facilities and Organizational Requirements

A new business venture won't immediately function efficiently. The employees must first become familiar with:

a. the work habits and patterns of the owner-manager and fellow employees

b. the machines and work methods being used

c. the layout of the plant and/or the surroundings.

It takes time to first decide on the organization and facilities that are appropriate for your operation, and

> then smooth away any difficulties.

9. Discuss Section 2. Below are two possible questions for discussion:

a

- a. "Would the fact that you have played the Production Game enable you to quickly organize and set up work methods in the future?"
- b. "If you start a production plant or if you start to work in one, would you expect that your work at first would be as fast as that of somebody already working there?" "Why or why not?"

10. Read Sections 3 to 11 of the Readings; discuss each section thoroughly.

> 3. Sales Potential
>
> a. How much of your product will customers buy?
>
> b. Will customers buy in large volumes periodically or in small amounts frequently?
>
> c. What time of year can you expect the largest sales?
>
> d. Will there be customers for a long period of time?
>
> Answers to these questions can be obtained from market studies, which will give you information on the use of the product, the likelihood of a market existing for a long or short period of time, the likelihood of an expanding market, and the type of competition you can expect to meet.
>
> Sales estimates should be prepared in order to determine the total revenue you can expect from changing circumstances in the market, such as competition, price changes, and seasonal sales.
>
> 4. Costs
>
> a. How much will it cost to make 100 units, 1,000 units, etc.?
>
> b. How many raw materials are needed and how much will they cost to obtain?

c. What types of machines will be needed and how much will they cost?

d. How much labour is needed and what will it cost you for wages?

e. How much will it cost to obtain expert advise?

f. If you obtain loans, how much will it cost?

g. How much are your maintenance expenses and costs likely to be?

These are just a few of the questions you must answer regarding the costs you are likely to meet. You can estimate sales figures, determine whether you are likely to make or lose money on your operation.

5. Sales Promotion and Growth

Before starting any production operation, these questions should be considered:

a. How much promotion is going to be needed in order to increase your sales volume?

b. Who can you approach in order to gain more customers and greater sales volume?

c. What are the likely areas into which you can expand your sales?

d. Are you going to have to use more distributors to increase your sales volume?

e. If you increase sales volume will you be able to meet the increased demand?

f. What costs are likely to be added if sales volume is increased?

g. How much additional revenue can you expect from increased sales volume?

h. Are you going to have to give discount prices in order to increase sales? How will these discounts affect your profits?

No business can afford to stand still, that is, not increase its sales. Costs of the business increase every year and in order to meet these costs you must increase your sales volume. When planning your production operation you must critically examine the potential for increased sales volume.

6. Money Requirements

a. How much money do you require to start the business?

b. How much money will you need to carry the business over the initial period where revenues are unlikely to meet expenses and costs?

c. How much money are you personally going to need to live until you can get a reasonable return from the operation?

d. Where will you get the needed money from?

Money is an important factor in the success of a business. You must examine your money needs for starting and operating the business. You should write down your needs and then determine from where you can obtain funds. Remember your business will not initially bring in enough money to pay your bills, etc., so you must obtain sufficient funds not only to acquire the start-up materials but also to allow you to operate until sales bring in enough revenues to cover the expenses, costs and required return. Even after revenues cover expenses, costs and required return, you might need still more funds for expansion, buying new equipment, etc., so you must consider from where you can get these funds.

7. Labour Requirements

a. How many employees do you need?
b. How skilled must your employees be?
c. Can you hire skilled employees from around your area?
d. Will you have to train your employees?
e. How much will you have to pay employees?

Labour is an important part of your production operation. Whether you hire one person or fifty, you will need to answer the above questions to see what your chances for success are.

8. Supply Sources

a. From whom are you going to buy your raw materials?

b. Is there a large enough supply of raw materials to allow you to operate for a long period of time?

c. Can you obtain raw materials and other material requirements when you need them, and in the quantities and the quality required?

d. Are there other sources of supply you could use if needed?

A production operation cannot produce if it has no raw materials with which to work. It is your responsibility to ensure that your business will have the necessary raw materials in the amounts and quality required. Your study should show where you can obtain the raw materials now and in the future.

9. Transportation

a. Do you have to bring in raw materials from a distance?

b. How are you going to bring in these raw materials?

c. Will you need to ship out finished products?

d. Who is responsible for the transportation costs?

e. Are you going to need special containers for shipping or special forms of transportation?

f. How much will your transportation costs be?

Transportation is an important factor, particularly if your production plant is not located near a centre served by many means of transportation. You must study this factor carefully because a product can be sold only once it has reached the market.

10. Acceptance by Community

a. Will the residents like you locating your plant in their community?

b. Are you going to increase employment by offering jobs to the community or are you bringing in people from the outside?

c. Will wastes from your plant create problems for the community?

d. Will the people help your business?

e. Are the people in the community customers for your product?

A community can help or hinder a production operation. If people don't want you to locate your plant in their area, they can do many things to harass you and your employees. Check to see what the people think of your idea before locating in a community.

11. Legal Requirements

a. What business licences do you need?
b. Is the product patented?
c. What government standards must your plant and product meet?
d. What labour requirements must you meet?

Businesses must meet the requirements of both federal and provincial legislation. Businesses must also fulfill certain requirements of municipal by-laws. Check the legal requirements covering your planned operation and see if you can meet these requirements.

Indicator

11. Hand out Case PROD2-1, "What Can Be Done?"

12. Read the case and discuss the questions at the end.

13. Have students reach consensus as to what type of business to recommend to the people of Pine Bluff and give satisfactory reasons for their decision.

14. Read Section 12 of the Readings as a summary.

12. Summary

Deciding to go into a production operation is not just a matter of deciding "let's produce that product; it sounds like a good idea." Before you go into a production operation you should attempt to collect information on the ten areas just discussed:

a. Facilities and organizational requirements
b. Sales potential
c. Costs
d. Sales promotion and growth
e. Money requirements
f. Labour requirements
g. Supply sources
h. Transportation costs and needs
i. Community acceptance
j. Legal requirements.

By having information on these areas you will be able to see if in fact your idea will turn out to be profitable or if you are going to lose money and the money of others. The decision to go into a production operation, be it only a one-man operation or an operation involving many people should be carefully studied.

SUBJECT PRODUCTION MANAGEMENT

LESSON PROD2 WHAT PRODUCT SHOULD YOU PRODUCE?

CASE PROD2 - 1

WHAT CAN BE DONE?

The community of Pine Bluff had a lot of unemployed men. Although a few fellows worked for government departments, most of the men just did odd jobs (fire fighting, wood cutting) at different times in the year.

Because Pine Bluff was in a northern area the men in the community were familiar with the out-doors. Fishing and hunting came naturally and many of them were skilled guides. During the summer months, when tourists travelled north, some of the Pine Bluff men acted as guides. During the winter it was possible for them to earn a little income by trapping.

Without steady work money was scarce. The government sent a lot of money in each month but even that didn't help much. Besides many of the people didn't like getting paid for doing nothing. Without steady income many needs of the families couldn't be looked after very well. It was hard to get good food, clothing, and housing. While many of the families in the community were moving away in search of steady work, others decided to stay and hope for better times.

Jack McLeod was one of those who had decided to stay in Pine Bluff. Jack hoped for better times like the others, but he also decided that he could perhaps do more than just hope. Jack decided to find out if there were any opportunities to start some type of business.

All his working life Jack had worked at fishing and logging. Although he didn't have much formal education (quitting in grade four or five), he had learned a lot from the jobs at which he had worked. Jack had many ideas for businesses which he would like to establish, but he knew money was needed to start any business. He wanted to involve as many people as possible in any business he set up -- in this way he hoped to create some steady jobs for the people of the community.

PROD2

Jack decided to have a meeting with the people to see if they had any ideas. He knew that by involving the other people he would receive more help from them if he did start a business.

Below are the minutes of that meeting as written up by Jack's wife, Mary.

> 'Meeting was held in the school hall on the evening of Tuesday, May 1, 1971.
>
> There were about 75 people present at this meeting.
>
> The meeting was called by Jack McLeod in order to discuss possible businesses the people would like to see started in this community of Pine Bluff.
>
> When asked what businesses they would like to see started, many people said they didn't see how it mattered if they wanted to start a business or not, because no one at the meeting had enough money to start one anyway.
>
> Pierre Brule replied to these people by saying that maybe if they, the people, decided to look into starting some type of business, they might be able to get some financial help from the government. He had heard that the people in Stoney Plains had started a store that way. And he was sure that other places had also done this. He said that without trying they sure weren't going to get ahead.
>
> Jack Running then got up and said that he had worked on a large farm in the south, and he was sure that if they started a farm outside of town it would employ a lot of people.
>
> Pierre Brule said that he had heard that the new mill opening in the south was going to need logs, so why didn't they, the people of Pine Bluff, start a business to cut and haul trees. There was good timber all through this area so they should make this resource pay. Pierre also said that since many of the men of the community had logging experience they wouldn't have to learn something new.
>
> Pierre's idea was considered a good one. Many of the people wanted to start plans to see about log cutting right away. It was decided that Pierre should check some more, and see what had to be done if a log cutting operation was set up.

Jack McLeod suggested that as they already had one good idea there might be others.

Everyone started talking at once, and it was hard to be sure who the ideas came from. Below are some of the ideas presented:

- Small grocery store
- Outfitting camp
- Bakery shop
- Clothes shop
- Hardware store
- Garage
- Motor repair shop
- Construction business
- Handicraft store
- Making handicrafts
- Buying some buses to rent to school
- Fish packing plant
- Sawmill
- Making leather goods
- Canoe manufacturing

After listing all these items on a sheet of paper it was decided to see which ones would be the most practical.

After much discussion it was decided to investigate the following possible businesses:

Canoe manufacturing
Making handicrafts

Two committees were set up to look into these businesses. The committees were to report back to the people within two weeks.

The committees were as follows:

Canoe manufacturing
    Jack McLeod
    Mary McLeod
    Jack Quick
    Marty Stevens

Making handicrafts
    John Murray
    Manny Robbins
    Don Martins
    Sonny Robbins

The meeting was adjourned.

Another meeting was to be held two weeks later in the same place.

PROD2

Questions for Discussion

1. What are the things the committees should investigate about the businesses they are looking at?

2. Where can information be found?

3. Should the people of Pine Bluff go ahead and try to start a business? Why or why not?

SUBJECT PRODUCTION MANAGEMENT

LESSON PROD3 PLANT LOCATION

INSTRUCTOR'S GUIDE

OVERVIEW

Location of the plant is vital to the success of a small manufacturing company. Sometimes a business that might otherwise be only marginal makes a good profit because of an excellent location. On the other hand, a poor location can often drag down a good business; it can affect sales adversely and help decrease the company's profit by adding to its costs.

An owner-manager must reassess his situation regularly to determine if his present site is an advantage or a disadvantage. Even a location that suited his needs three (3) years ago might not be a prudent one today.

Several factors must be considered when locating or relocating a small plant. Among them are the company's market, the available labour force, transportation, raw materials, and available buildings and/or building sites.

OBJECTIVE

For a given situation, the student will list those factors which should be examined when deciding where to locate the physical facilities of a production operation.

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RESOURCES REQUIRED

1. Case PROD3, "Where Shall We Locate?"

METHODOLOGY

1. Hand out Readings.
2. Read Purpose and Introduction.

PURPOSE

In this lesson you will examine some of the things to consider when deciding where to locate your plant.

INTRODUCTION

In the Marketing lessons you read about the many things to consider in choosing a location for a retail store. There are also many things to examine in deciding where to locate a production plant.

Whereas a good location may mean business success, a poor location may mean business failure.

3. Discuss and clarify Purpose and Introduction.

OBJECTIVE: FOR A GIVEN SITUATION, THE STUDENT WILL LIST THOSE FACTORS WHICH SHOULD BE EXAMINED WHEN DECIDING WHERE TO LOCATE THE PHYSICAL FACILITIES OF A PRODUCTION OPERATION.

Stimulus

4. Hand out Case PROD3 and read.
5. Discuss questions at the end of the case. List student's answers on the flip chart.

Clarify Problem

6. Ask why plant location is important.
7. Ask what things should be considered in locating a plant. List answers on the flip chart.

Provide Information

8. Read Section 1, parts a and b, of the Readings.

CONTENT

1. Choice of Plant Location: Things to Consider

You should not make a snap or emotional judgment about where you want to locate your production plant.

Below is a list of things you should take into account when deciding on a plant location. These things are listed as questions you should ask yourself. As you read through the list, think of how important the question might be to your decision on where to locate your production plant. Not all these things are important to all production plants. Select the ones most important to your type of production operation.

a. Market Factors

(1) How big is the market? (Now and in the future?) This is important for any type of business. You should choose a location where you will have enough sales to make a profit. Maybe one town, or community, has a better market potential than another. Maybe sales will be better in one place than in another. (You will learn how to estimate your sales later in this course.)

(2) How much competition will you have? This is important for any type of business. The more competition you have the harder it will be for you to sell your products or services. Usually you should locate where the competition isn't too strong. Sometimes you may want to locate near your competition because that is the place where the customers go to shop.

b. Geographic Factors - these refer to the point on the map where your plant will be located.

(1) How near are the raw materials? It is important to locate near raw materials if they are perishable (for example, a fish-filleting plant should be near the lake where the fish are caught), or if they are heavy (for example, a pulp mill should be located near the timber site because logs are heavy and expensive to transport).

(2) How near are the customers?
The closer a business is to its customers, the better it is able to serve them. If you locate near your customers, transportation costs should be less.

(3) Is there easy access to rail, truck, water, or air transportation?
It is important to have cheap and rapid ways of transporting the product from your plant to the market.

(4) Is there a good supply of cheap power, fuel, and/or water at this location?
If you need these services in your production process, it is important to choose a location where their cost will be low.

(5) What is the climate like?
Some production processes need a warm or moist climate, others need cold or dry climate. You don't want your production process shut down because of climate or weather conditions.

(6) Are there any special government grants, tax relief, or other incentives to locate in this area?
This might be important in helping the business make a profit.

9. Discuss each of the six points listed. Add other points as they are put forward. Check the list made in point 7 of this guide to see if students included the points in their list.

10. Read Section 1, part c, of the Readings.

c. Community Factors - these refer to things about the community that will affect the operations of your plant.

(1) Is there an adequate supply of the kinds of production workers you will need?
Many plants locate near a good labour supply. For example, La Ronge Handicrafts is located in La Ronge, Saskatchewan because that is the area where its skilled handicraft workers are located.

(2) What are the attitudes of the local people towards you or your type of business?
This is a very important consideration. For example, if your production plant gives off a lot of

smell or pollution, the local people may be hostile towards it being located in their community. You should try to pick a plant location where you and your plant will be welcomed by the people of the community.

(3) What incentives does the community offer? Often the local community will provide free road access, sewage, and water facilities if you locate your plant in their town or area.

(4) What are land and building costs in this community? If they are too high you may not be able to afford to locate in this community.

Can you list any other questions that should be answered before a plant location is chosen?

11. Discuss each of the four points listed. Add other points if they are put forward. Check the list made in point 7 of this guide to see if students included the points in their list.

12. Read Section 2 of the Readings.

2. Summary

Since you must consider many factors, how can you decide where to locate a production business?

All we can answer here is that you have to use your judgment. You should weigh the advantages and disadvantages of each location by asking yourself the kinds of questions listed above. Only after you have investigated all the important factors should you make your final decision. Avoid making a snap or emotional decision - if you do, your business may fail.

Indicator

13. Review questions at the end of the case and discuss.

SUBJECT PRODUCTION MANAGEMENT

LESSON PROD3 PLANT LOCATION

CASE PROD3 - 1

WHERE SHALL WE LOCATE?

The people of Pine Bluff wanted to start a business which would offer steady employment to people in the community. They had held a meeting to look at their situation and to discuss if there were any businesses which they might be able to start. After listing a number of business possibilities they had chosen two to investigate further. They had set up two committees to investigate the possibilities of making and selling canoes and making and selling handicrafts.

When these committees reported back to the people with the information they had found, the people had decided they would go into the business of making and selling handicrafts. The major reasons for this decision were:

1. Many people were already skilled in making and selling handicrafts.
2. There were many tourists coming through the area on their way to hunting and fishing camps.
3. The money required to start this type of operation was less than for other types of business.

Some of the reasons for not going into canoe building were:

1. Lack of skilled people to make the canoes and train others in how to make canoes.
2. The equipment required for such an operation would cost a lot of money.
3. There were many large commercial firms selling canoes at a price lower than that at which the people of Pine Bluff could produce them.
4. Materials would not be easy to obtain.

5. Facilities for transporting the finished product to the main market areas could prove expensive.

Not all the people agreed that making and selling handicrafts was the best business to go into. However, they thought that the discussions at the meeting had been good, and that they might be able to set up other businesses now that they had seen so many possibilities.

At this point Peter May suggested that those interested in working with handicrafts should get together to make their plans. The 20 or so persons interested in handicrafts met at the back of the school hall. Their first question was how they were going to organize. Jack McLeod said that he knew of at least three ways they could organize the business: they could set up a co-operative, set up a partnership, or one person in the group could set up a single-owner business. In all cases they would need one person to be the main boss in order to see that all the jobs got done. Because Jack had come up with the idea that the people should get together to see if they could make jobs for themselves, they thought he should be the main boss for now.

Jack agreed to get things going. He said that the question of how to organize could be answered after they found out some answers to some important questions. They should all think about how to organize the business because they would need a definite plan when it came time to ask for loans and grants.

Right now he thought they should decide on what items they were going to make and how and when they were going to make them.

Some of the items they decided to make were:

1. head bands
2. crests
3. lapel pins
4. moccasins
5. mukluks
6. jackets
7. mitts

Most of these items were already being made on a small scale by individuals for gifts and to earn a bit of extra money. Previously there had been no plan as to what items to make or when to make them. Each individual had bought only the raw materials he needed; there had been no volume buying to get a lower price. The raw materials needed were beads, thread, duffel cloth and hides.

They had had difficulty in selling moccasins and mukluks because they didn't make uniform sizes. Previously, in order to get the correct size for the buyer, the person who made the article had to use an outline of the buyer's foot. If the Pine Bluff people wanted to sell these items on a commercial basis, they would have to find some way to make the footwear meet size standards.

Another question which would have to be answered was where the business was to be located. They would need a building large enough in which to store their materials, do work, store inventories of finished products, and put displays to show what they had to sell.

Jack said that he has been talking with different people and had heard of three buildings that might meet their needs.

One of the buildings belonged to Mike Barnes, the General Store owner. This building, located on the edge of town a distance off the main street, didn't have any power and was heated by a coal furnace. It had not been used for a number of years and was pretty run down; the doors were broken and all the windows smashed. Mike said that this building could be rented for about $150.00 a month but he would want the renter to agree to rent it for at least two years if he was going to repair the damage and make some improvements on it. This building was fairly large having two floors and a basement. Raw materials and finished products could be stored upstairs or in the basement. Or either the basement or top floor could be used to work in. The main floor could be used as a display and selling area.

The second building was owned by a man who had moved south when he sold his general store to Mike Barnes. This building had only the main floor and a large basement. It was located on the main street of the community and had power hooked up to it. The owner was willing to sell this building for about $500.00. (Jack had found this out because Marcel Dupont had once thought about getting it for a cafe.) The heating system was a fuel oil furnace, and there was a 200-gallon fuel oil tank at the back of the building.

The third building was located on the southern edge of town. This was a large one-story building set a distance from the highway. It had its own power unit and was heated by a fuel furnace. The floor space was large and could be partitioned off to be used for storage, work, selling and display areas. This building could be bought from Bill Dans, a retired outfitter, for about $7,500.00, or could be rented for $195.00 a month if they leased it for a year at a time. Utilities would not be paid by the owner.

Another possibility was to put up a building themselves. There was an empty lot on the main street. This lot could be bought for about $800.00. The materials for building would be about $500.00. They would have to buy a furnace and put in a heating system on top of this. Layout would not be too much, because some of the men in the community would do the work for minimum wages. The building completed would cost about $9,000.00. They would have a new building which was suited to their needs for this amount.

Jack suggested that the people think about the questions he had asked. He would talk with them individually or in small groups during the next few days to see what they thought should be done. They would have to decide as soon as possible how to organize their business and where to locate it.

Questions for Discussion

1. What type of organization do you recommend the handicraft people of Pine Bluff set up? Why?
2. In which location should they set up the business? Why?
3. Are there other questions that should be answered before deciding which business location is the best for their purposes?

SUBJECT MANAGEMENT PROCESS

LESSON MP8 THE PLANNING FUNCTION REVIEWED: FIRST PROJECT

INSTRUCTOR'S GUIDE

OVERVIEW

This lesson is different from previous lessons in the following ways:

1. The student's Readings are guidelines for undertaking a short-term business project.

2. More time will be involved.

3. The instructor will not be as directly involved.

The Small Business Management course attempts to involve the student in a learning experience by having the student participate as much as possible.

The lessons of the course are written so that students can acquire knowledge through a group process in which students help each other learn by asking questions and providing examples and illustrations from their personal experiences. In addition, students can draw heavily on the instructor's knowledge and experience.

Students need to be involved in the actual doing to learn effectively and to make learning relevant. There is a need for on-the-job training as well as learning through business projects operated by the students.

The object of this lesson is to have students work on a short-term business venture. This will be done during the course hours as well as on the student's own time. The type of project will depend entirely on the student's imagination. The time spent will depend on the project as well as the instructor.

Past experience suggests that these projects are invaluable. They give the student a chance to use, digest and evaluate business concepts and techniques.

It is difficult to specify in detail how to run this lesson, the following instructions are of a general nature. The instructor will have to be flexible in adjusting to this new situation. A description of the recommended scope of this first project, as well as a summary of the project experiences of a previous Small Business Management student group, is appended to this section.

In general students should plan, organize and carry out their chosen business project without help. However, for their first project, some assistance may have to be given.

The emphasis of this project is on planning. The students should see the need for detailed planning of the business project, before they carry out the project.

The following guidelines may be used in conducting the project:

1. The first project comes early in the course before the students have been exposed to much of the material. It serves as a review of lessons already taken, and it gives students some related business experience on a small scale. The evaluation of the project should point out the students' need for added business knowledge, and should increase their ability to relate to additional subject matter when it is dealt with in the course.

2. The project should be fairly short, covering no more than a week or two. Lessons will be conducted during this time. The students will require time for planning and making arrangements for the projects; this can be done during class time as well as on the students' own time.

Following this lesson, you can immediately start the next lesson. You should then allow some class time to be used for planning or working on some aspects of the projects.

The students should be told ahead of time whenever they will have an hour or more to do some planning or other work. This will help them make better use of the class time.

The actual carrying out of the project should not take longer than a couple of days or parts of days. The real work is in the planning, which cannot be done on a continuous basis. It is usually convenient to continue with the lessons while the students get ready to carry out the project.

3. Encourage the students to cover as many areas of business management as possible in the planning of their project: finance,

accounting, bookkeeping, marketing, production, personnel, business organization, etc.

4. It is suggested that you occasionally hold progress meetings. Students will sometimes become discouraged. A meeting discussing the progress of other groups may help.

5. You should have a positive, enthusiastic and encouraging attitude. It is possible for students to see so many barriers that they give up trying. If this happens, the project will not accomplish its objective. The students must realize that going into business presents problems which must be solved. The project presents in miniature many of the problems that the students will encounter when they go into business.

6. In some cases, the students will require permission or other clearances to go ahead with a project. When the co-operation of administrative authorities is required, it is best if the students work their own clearances; however, you can help by previously making sure of administrative co-operation.

7. You may act as a consultant and as a source of encouragement, but the project should be the students' responsibility -- an opportunity for them to demonstrate their initiative, drive and problem-solving skills.

8. Provide the students with a time limit so that all the students complete the project at about the same time.

9. The appendix at the end of the lesson discusses a project conducted by a group of Small Business Management students. Considerable time was allowed for this project. It is suggested that less time be given to the first project.

OBJECTIVE

The students will plan, organize and carry out a short-term business venture.

RESOURCES REQUIRED

1. These will vary with the nature of the projects undertaken.

METHODOLOGY

1. Hand out the Guidelines; read and discuss the Purpose and Introduction.

PURPOSE

In this lesson you will apply some of the knowledge you have acquired to date in the course to planning and carrying out a business project.

INTRODUCTION

While taking the Small Business Management course, you cannot obtain the experience of actually running your own business. In order to illustrate some of the problems of running a business as well as to clarify the course material you have taken, you will plan, organize, and carry out a business project.

The business project is the operation of a small business for a short period, partly in class time and partly in your own time.

The project should help you in the following ways:

1. You will have an opportunity to see what it is like to run a business.
2. You will be able to use some of the things you have learned so far in the course.
3. After completing your business project, you will be able to evaluate how well you have done and you will be able to judge how useful different lessons were to you.

OBJECTIVE: THE STUDENTS WILL PLAN, ORGANIZE AND CARRY OUT A SHORT-TERM BUSINESS VENTURE.

Stimulus

2. Ask the students to name some advantages of experience in planning and organizing a business.

Clarify Problem

3. Discuss the advantages named by the students. They should realize that planning can become easier as they gain experience. The projects will be a review of course content already taken and will help make new material more relevant.

Provide Information

4. Read Sections 1 to 3, stopping after each section to discuss and clarify the tasks expected of the students. It is impossible to foresee all aspects of a project. The instructor will need much imagination and flexibility in adapting to the various situations.

CONTENT

1. Steps to Be Followed in Carrying Out the Project

   a. Divide into groups of 2 to 10 depending on the project undertaken.

   b. In each small group, decide on the type of project to be undertaken.

   c. When everyone has decided on the project, have someone from each project group present the project to the rest of the class and discuss with the class.

   d. In the small group carrying out the project, plan in detail what you want to do, how it will be done, who will do what and when it will be done.

   e. The emphasis is on the planning of the project. However, the project must be carried out in order to see how well the plans were made.

   f. Once the project has been completed, each group will evaluate the success of the project and the learning and experience it provided. Remember a project which is a failure financially may be a great success in terms of learning and experience.

2. Types of Projects

   The project should be quite short, from a few days to perhaps a week. Each group of students must decide on the project it wishes to carry out. One project may be chosen for the whole class or the class may choose to have a number of projects with varying numbers of students in each group. Remember that the more people in the project, the more difficult it is to manage and the less each person tends to be involved. On the other hand, the more people in the project, the more help and ideas are available.

The following are a few ideas for projects. Some may involve more time than you can spend on the project, so they may be retained for a later project:

a. Sale of sandwiches, hot dogs, hamburgers, drinks, coffee, etc., to students and staff during noon lunches at school.

b. A small lunch bar as above but at a local fair, festival, pow wow, etc.

c. Sale of handicraft products made by people in your communities on a house-to-house basis, at a fair, in the school, etc.

d. Production and sale of authentic native Christmas cards or other products.

e. Sale of a service to the community: school, church, businesses or public.

As long as you plan and carry out a business activity which involves the production or sale of a product or service, you may use any other idea that you wish.

3. Learning Experience

The purpose of the project is to learn by doing. The first objective of the project is not to make money, although this is certainly to be considered. If money can be made, so much the better. It must be remembered that although a loss of money is less interesting, it may still be a useful learning experience.

For the project to be a learning experience, keep the following points in mind and follow as many of them as possible.

a. Plan the organization of your group, a partnership, limited company or co-operative, without actually becoming involved in the legal aspects.

b. Plan all aspects of marketing your product or service:

  (1) What purchases have to be made, when, in what quantities and qualities, etc.?

  (2) What selling technique will you use; door to door, retail sales, middleman?

  (3) What are your prices going to be? How do you set them?

  (4) What inventories are required? What inventory control must you use to avoid loss or spoilage?

  (5) What analysis of consumer needs is necessary?

  (6) How will you obtain good public relations, promote and advertise your product or service so that the public knows about your 'business' and are favourably inclined to purchase?

c. Plan which group member will do each job. Who will act as manager, accountant and bookkeeper, salesman, sales manager? Who will be responsible for inventory control and quality control? Remember, each person may have more than one responsibility in a small business.

d. Plan the type of bookkeeping and accounting required to give an accurate picture of the business. How much money do you have to start (owners equity)? What loans do you need? How are any loans to be paid off? Provide for a budget of expenses and revenues, and at the end of the project, prepare a Profit and Loss Statement and a Balance Sheet.

e. If the project involves the production of a product, you should schedule production to be efficient, look into production costs, quality control, etc.

It will require a lot of imagination and work to carry out the projects successfully. The experience will provide you with a means of reviewing the practical aspects of what you have learned, and will point out some areas that require more work and study.

It is important to remember that the objective of the project is to provide the students with experience in planning, organizing and carrying out a business venture.

5. Read Section 4 of the Readings.

4. Summary

This lesson is unlike other lessons in that you will be involved in planning and carrying out an actual business project. Your instructor will not be leading you. Although you may consult him for advice, the decisions you make must be your own.

The instructor will allow a certain amount of class time to plan and carry out the project. However it is unlikely that you will have enough class time to do all that you would like. Probably your group will have to work together outside of class hours to complete the project. This is not unlike a lot of small businesses which do not have set hours.

After you have started your project, the instructor will likely continue with the next lessons in the course, providing occasional breaks in the lessons for work on the project.

Indicator

6. When the projects have been completed, have the students prepare detailed written reports about each project. Each report should clearly indicate the nature of the project, the methods used for planning and carrying out the project, the financial statements, a report on the various aspects of marketing, business organization, bookkeeping and accounting, personnel, etc. The reports should also discuss the special problems the groups encountered.

7. Have each project group read their report to the full group, and discuss each report.

8. Have the students evaluate the projects as to what they learned in each area of business management. Ask the students what they would do differently in another project.

9. Keep the reports as well as any flip chart pages used during the various stages for the second project.

APPENDIX A

Small Business Management Course
Prince Albert, Saskatchewan

Notes On Christmas Card Project

Organization

The students met to consider the possibility of running a business project as a group. Some accepted the idea with enthusiasm, others somewhat reluctantly.

They held a number of meetings among themselves with no instructors present. Out of these meetings emerged an organization:

1. All 14 students were on the Board of Directors.
2. One student was elected chairman.
3. Each student contributed $5.00 share capital.

They decided to make and sell Christmas cards, although it was November and the time until Christmas was very short. A deadline for production was set.

Other ideas on the project were:

1. They could produce Indian handicrafts to sell at the Canada Winter Games in Saskatoon. The main product was to be a 'teepee electric lamp'.

2. If the project was successful further production could be planned for Valentine's Day and Easter.

Production

Meetings were held daily.

One of the students, an artist, was engaged to draft card designs and verses. At a meeting held December 3, a motion was carried to pay the artist $60.00 for his art work. He accepted $30.00.

They decided to use English instead of Cree on the cards. Ideas for verses were put on the flip chart and discussed until a final selection was made. Production costs and prices were agreed upon. Flip chart notes of all the meetings were kept.

The first production run was a failure, resulting in very low morale in the group. The deadline was passed and a new date set. Several of the group, headed by one student acted as a production committee.

The second production run was successful and about 4,000 cards were produced. The students were very pleased with their product.

Packaging

The printed cards reached the classroom on Friday, December 11. The students packed the cards in plastic bags, a dozen to the bag. This was done quickly and efficiently.

Sales

Throughout the production period the students had been searching for markets, canvassing city businesses, home communities, Indian Reserves, and friends, who placed many advance orders.

On the afternoon of Friday, December 11, the students collected their cards to sell or deliver over the weekend. Staff, students, and visitors poured into the room to buy cards. The sales manager tried to keep a record of cash sales and of cards issued to students on consignment but was unable to keep up.

Records

On Monday, December 14 the confusion had deepened. There was about 60 dozen cards unaccounted for. The instructor was asked to help sort things out but many cards were still missing.

One of the problems was that the group had decided that each student would keep books on the project. This was intended to be an exercise in bookkeeping. Unfortunately, none of their accounts agreed. It was decided that from then on only one student would do the bookkeeping. The group would check his books.

After some straightening out, the students went forth again to sell cards.

Evaluation

On December 15 an evaluation of the project was made. All the flip charts produced up to this point were hung around the walls of the classroom. They covered all four walls, overlapping in places.

The students discussed the method of evaluation to be used and the instructor conducted the actual evaluation.

First the students evaluated successes and failures, writing them on a flip chart.

The Successes Listed Were:

1. Experience was gained.
2. There was good co-operation.
3. When the first printing failed, the instructor helped to get production going again, which boosted student morale.
4. It was fun selling cards.
5. The students enjoyed public relations work.
6. The students enjoyed the whole project.

The Failures Listed Were:

1. Lack of communications between students and the printer.
2. Lack of realistic deadlines set by students.
3. The students did not stick to deadlines.
4. The students lacked finances.
5. The students tried to operate too cheaply.
6. The printer did not produce as promised.
7. There was absenteeism on the part of the students.

The students next wrote down what they felt they had learned in the different subject areas.

Business Communications

1. There was considerable feedback from the printer.
2. Some confusion existed.

Marketing

1. The product was right - unique.
2. The project was started too late for Christmas.
3. Distribution was poor - students did not stick to their designated areas.
4. The students efforts were often haphazard.
5. Pricing was good.
6. Advertising was poor.

MP8

Personnel

1. The students were disorganized.
2. Morale fluctuated up and down.
3. Absenteeism was high.
4. There was no follow-up by workers.

Finance, Accounting, Bookkeeping

1. There was a jumble of figures.
2. Too many students tried to keep records.
3. Financing was poor.
4. Cost figures were unrealistic.
5. There was a lack of information for bookkeeping.

Personal Finance

1. Five dollars from each student was a sacrifice.
2. Five dollars from each student was a good investment for knowledge.

Production

1. The first run was a failure.
2. There was a lack of knowledge of printing.
3. An unrealistic deadline was set for the completion of the project.
4. There was a lack of real control of jobs to be done.
5. They were introduced to the idea of quality control.

Business Organization

1. The students lacked precise business organization at the beginning of the project.
2. The Christmas Card project was not the students' idea in the first place and that took away their incentive.
3. The project was good for those students going into business but it was not as valuable for the others.

This ended the students' evaluation.

Other Comments

1. The project was under intense pressure due to the starting date being so close to Christmas. Had the project been started earlier a greater volume could have been produced and marketed. The potential for a healthy profit was there.

2. A reasonable profit could still have been made if a large number of cards had not been lost. Instead, a very small profit was made.
3. On the weekend of December 12, a number of students were involved in a fight with each other at a party causing a split in the group, resulting in hard feelings and low morale.
4. When morale was low after the first printing failure, some students were offering their shares for as little as $2.00. When the next run was successful, the asking price went as high as $15.00.
5. By the time the course ended the shares were all owned by three or four of the group, with one student holding the controlling interest.
6. The printing plates were left with the school.

SUBJECT PRODUCTION MANAGEMENT

LESSON PROD4 PLANT LAYOUT AND WORK SIMPLIFICATION

INSTRUCTOR'S GUIDE

OVERVIEW

Plant layout follows the plan for organization of operations. It is also influenced by: physical and operating characteristics of machines; product requirements; such things as chutes, conveyors, and passageways; work space and conveniences for personnel, including washrooms; good locations for service centres such as tool rooms; space for administrative work and offices; and general appearance.

Work simplification affects the plant layout because of the flow of work sequencing and the spatial requirements of the workers.

This lesson briefly examines some of the factors to be covered when planning how to arrange the physical layout of a plant. The factors to be considered can be applied to all production plants be they large or small.

OBJECTIVE

The students will arrange a scale model of a plant layout, utilizing the principles discussed in the lesson.

REFERENCE MATERIAL FOR INSTRUCTOR

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4. Dickson, Franklyn J. Successful Management of the Small and Medium-Sized Business. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1971.

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12. Newton, Raymond C. "Principles of Plant Layout for Small Plants." Technical Aids for Small Manufacturers, No. 42, April, 1956.

13. Steinmetz, Lawrence L. et al. Managing the Small Business. Georgetown, Ontario: Irwin-Dorsey Ltd., 1968, ch. 18.

14. Muther, Richard. "Plant Layout and Design." Handbook of Business Administration. New York: McGraw-Hill Book Company Ltd., 1970, ch. 4.

15. Antis, W. and Geitgey, D. "Methods Improvement." Handbook of Business Administration. New York: McGraw-Hill Book Company Ltd., 1970, ch. 9.

RESOURCES REQUIRED

1. Case PROD4 - 1, "Where Does the Equipment Go?"
2. Films: "Physical Facilities"
   "Methods Analysis" (Pre-view this film to see if it is appropriate for your particular group.)
3. Flip chart.

METHODOLOGY

1. Hand out the Readings; read and discuss the Purpose and Introduction.

PURPOSE

In this lesson you will discuss how you can make your production business more efficient and profitable through good work methods and a good plant layout.

INTRODUCTION

Have you ever worked in a messy and crowded work place? If you have, you probably worked very inefficiently. Good layout in your production plant will help prevent awkward and inefficient working methods.

Have you ever seen a worker using poor work methods? Taking too much time to do a job? Using the wrong tools? Making inefficient motions?

It is important for you to make sure proper work methods are used in your production plant. You should always be looking for ways to simplify the work in your plant since better work methods will mean more output and profit.

OBJECTIVE: THE STUDENTS WILL ARRANGE A SCALE MODEL OF A PLANT LAYOUT, UTILIZING THE PRINCIPLES DISCUSSED IN THE LESSON.

Stimulus

2. Ask students if they feel that layout is important in a production business. It may be necessary to define layout.

Clarify Problem

3. List and discuss the students' answers.

Provide Information

4. Read and discuss Sections 1, 2, and 3 of the Readings.

CONTENT

1. Some Definitions

   a. Plant layout includes the way the rooms, doors, etc., of your plant building are arranged; the way your materials and machines are arranged in your building; and the way the materials flow through your plant while they are being made into finished products.

      The above are all aspects of plant layout. When someone speaks of plant layout, he may be referring to one, two or all of these aspects, depending on the situation.

   b. Work simplification can be defined as cutting down on wasted work; making work more efficient; simplifying the working methods; and giving each worker a workload he can handle.

2. Making Plant Layout Decisions

   Before you start your production plant you must decide on the type of building you need. This will depend on the type of product you are making and the type of production operations you use. You must also decide how you will arrange things in your building.

   When deciding how to lay out your plant, you will have to answer the following questions:

   a. What jobs (production operations) have to be done? Can I list these?

b. Can I draw a chart to show which operations have to be done, first, second, etc.?

c. What is the best way to arrange these operations inside my building? Can I draw a floor plan?

d. How much room do I need for each operation?

e. Which operations should be located close together?

You should plan the above things before you put the equipment in your plant.

3. Why is a Good Plant Layout Important?

A good plant layout should arrange men, materials, and equipment so that as materials are being made into finished product, they move over the shortest distance, in the correct order and in the safest way possible.

A good plant layout will do the following:

a. Increase production - work will be easier and will be done faster.

b. Cut down on expenses - there will be less wasted time and material. You will be able to produce more products with less material and less labour.

c. Improve working conditions - workers will be less crowded and more comfortable.

d. Increase safety - since workers have more room, accidents will occur less often and involve fewer people when they do happen.

e. Improve the way materials are handled - raw materials will be located in the right places; they won't have to be moved as far.

f. Reduce wasted space - each part of your floor space will be used in the best way.

5. Show the film, "Physical Facilities". This film is fairly sophisticated. You will have to relate the film content to a small plant operation.

Summary of Film Content and Instructions for Showing Film

a. Discusses how to select a good location close to:

  (1) markets
  (2) raw materials
  (3) good transportation
  (4) power and fuel
  (5) labour

STOP the film here and relate back to Lesson PROD3, "Plant Location".

b. Defines plant layout - "the sequence of operations that will ensure the smoothest flow of materials through various stages of production."

STOP the film and write this definition on the flip chart. Discuss the definition so that all the students are clear on what it means.

c. Discusses factors that influence plant layout:

  (1) type of production process
  (2) type of manufacturing involved

d. Shows techniques to simplify plant layout:

  (1) progress-flow charts
  (2) progress-flow diagram
  (3) template layout

STOP the film after each of these techniques and illustrate the process using as a model a small plant.

6. Have students summarize the film and relate it to the Readings using their own examples and experiences.

7. Read and discuss Sections 4 and 5 of the Readings.

4. How Can You Simplify the Work in Your Plant?

Work simplification enables you to use your manpower more efficiently. By simplifying the working methods in your plant, you will cut down on costs, increase production and create happier workers.

You should ask yourself the following questions about each operation in your plant.

a. What is the purpose of the operation?

(1) Why is it being done?
(2) Is the same operation being done later or earlier?
(3) Can part or all of this operation be dropped?
(4) Does the operation make the produce more useful or easier to sell?
(5) If the operation involves making a part, could this part be purchased at a lower cost than it can be produced?

b. Can the design of the part or product be changed so that it needs less work?

(1) Can other parts be used?
(2) Can the part be made by a simpler method?

c. How good is the layout of the work area?

(1) Does the material move in and out smoothly?
(2) Are materials and equipment located in the best places?
(3) Could the location of tables and benches be improved?

d. Are the right equipment and tools being used?

(1) Are the machines well-maintained?
(2) Would automatic feeders, ejectors, etc., save time?
(3) Is the equipment either too big or too small?
(4) Are operations which could be done faster and better by a machine being done by hand?

e. What work methods are being used?

(1) Is the worker located in the right place?
(2) Does he use both hands?
(3) Is this worker using a work method that would be of benefit to other workers?
(4) Would specially designed benches or tables help production?
(5) Are tools and parts within easy reach?
(6) Is time being wasted in waiting for or hunting for tools or materials?
(7) Does the worker have a realistic workload?

f. Are the right materials being used?

(1) Could you speed up production by buying the same materials in a different form?
(2) Could a different material be used?

g. Are materials being handled properly?

(1) Could trucks, pallets, or some other type of conveyor be used?
(2) Could gravity feeders be used?
(3) Can materials be handled during slack periods in the operation?
(4) Can rehandling and recounting of materials be avoided?

h. What are working conditions like?

(1) Is the lighting bright enough?
(2) Is the temperature of the room right?
(3) Is the work area clean or messy?

i. Are the workers properly trained and supervised?

(1) Who does the training? Is he the right man?
(2) How is training done?
(3) How are instructions given to workers?
(4) Can the operation be broken down into smaller details so that less training and supervision are needed?

5. Summary

You will have better efficiency and bigger profits in your production plant if you make sure you have an efficient layout of men, materials and equipment in your plant, and good work methods (simple, fast, work procedures).

8. Show the film, "Methods Analysis", if you feel it would be useful. This film discusses fairly sophisticated methods; you will have to relate it to small plant operations.

Summary of Content and Instructions for Showing Film

a. Gives the purpose, goal and benefits of methods analysis

  (1) Purpose - to find the best and least costly operating methods.
  (2) Goal - the production of more goods in a more efficient manner at lower prices.
  (3) Benefits - better ways to perform tasks.

b. Gives a brief history of time and motion studies.

c. Suggests that:

  (1) employees be trained in work simplification

  (2) managers listen to workers ideas on methods of doing work

  (3) methods analysis might result in

    (a) eliminating some production steps
    (b) combining some production steps
    (c) resequencing of process
    (d) simplification of way of performing work.

d. Discusses rules of motion practice.

9. Summarize the principles of plant layout and work simplification. The points presented in the Overview might be useful for this purpose.

Indicator

10. Hand out Case PROD4, "Where does the Equipment Go?" Read the case and discuss the questions at the end.

11. Have the students form groups of four or five. Instruct each group to outline plans on how they would lay out the plant discussed in the case. They are to submit a drawing of the floor arrangement with written reasons for their particular arrangement. Allow a half hour for completion.

12. Ask groups what problems (if any) they had when planning layout. Discuss problems and questions pertaining to the plant layout. Have students summarize lesson and case exercise.

SUBJECT PRODUCTION MANAGEMENT

LESSON PROD4 PLANT LAYOUT AND WORK SIMPLIFICATION

CASE PROD4 - 1

WHERE DOES THE EQUIPMENT GO?

The Pine Bluff Handicraft Co-operative was formed. A Board of Directors was elected to set up general operational policies, particularly on such matters as:

1. determining trade and credit policy
2. supervising the business and policy
3. deciding who signs cheques
4. defining duties and pay for employees
5. setting hours of trade
6. appointing committees for specific purposes.

The Board members were:

President: Joan May
Treasurer: Susan Lee
Secretary: Mary McLeod
Members: Sylvia Smith
Helen Waters
Jason Matson
Randy Lee

The Board asked Jack McLeod to be manager of the Co-operative. His first major job would be to get the way clear for starting business.

The two major questions of how to organize the business and where to locate had been answered. The business would be organized as a co-operative. It would build its own building rather than locating in any of the present buildings. The major reason for building was that not only could the building be designed to meet the needs of the business but also work would be provided for some of the men in the community.

Jack's immediate problems now were deciding on a floor plan for the building, and organizing the people who were going to do the production work and the clerking jobs.

It was decided that the Co-op would order raw materials and put them into kits. They would then contract the kits out to people who could do good work, and sell the finished products. The kits would contain all the raw material necessary to make the item. If hide was required it would be cut to size. The design would be up to the individual doing the piece-work. The piece-work method was thought to be the best because: many of the workers would be women with young children who liked to be at home; the kits could be contracted out to people who lived outside the community; the labour costs would be lower because the craftsmen were paid only for what they actually completed - the more they produced the higher their pay.

The production work done at the business itself would involve the making up of the kits. A kit would be made with the following steps:

1. Cut pattern from the hide.
2. Cut duffel cloth from its bolt.
3. Cut fur required.
4. Cut trim required.
5. Put raw material into a bag.

Any needles, thread and beads required would be given out in quantity amounts so that the craftsmen making the item had enough of these materials to make several items. Any scrap hide and fur would be cut into pieces to be used for small items to wear on shirts and jackets.

The layout of the production area of the business had to be big enough for about five or six women to get kits ready. There had to be storage space for the raw materials and storage space for the kits that were ready. The women would need a good light because they had to cut around standard patterns to ensure that the finished products would meet standard sizes. The women would also need facilities to eat in as well as washroom facilities. Raw materials had to be stored near the work area so that the women could get them easily and quickly as they needed them.

The selling and display area had to contain a place to store the finished products. There had to be a display area so that anyone coming into the store could easily see what was offered for sale. Jack McLeod wanted his office in a place where he could watch the selling and display areas but where he could also be reached easily in case of difficulties in the production and storage areas.

Questions for Discussion

1. Prepare a floor plan for the Pine Bluff Handicraft Co-operative. The dimensions of the building are 60' long and 48' wide. The 48' sides are parallel with the street. The building is to be one level with a full basement.

2. Prepare a plan for the work floor in the production area.

SUBJECT BUSINESS LAW

LESSON BL6 THE LEGAL CONTRACT

INSTRUCTOR'S GUIDE

OVERVIEW

The basic tool of a business enterprise is the CONTRACT. All business transactions, whether verbal or by written agreement, are conducted by contract. A contract is entered into for something as simple as purchasing a loaf of bread in a store.

Five elements must be present before a contract is considered legal:

1. Mutual agreement - offer and acceptance.

2. Consideration - something to which value can be attached.

3. Capacity to contract -- certain groups of people cannot have contracts enforced against them.

4. Intention to create legal relations - if someone does not intend to actually enter into a contract, they are judged not to have done so.

5. Legality of object - the object of the contract must be legal.

In this lesson the students are introduced to these five elements.

A businessman must avoid entering into contracts which are disadvantageous to him. In many cases, the only way to ensure that this objective is realized is to retain the services of a competent lawyer.

BL6

OBJECTIVE

Given some elements of a contract, the students will be able to identify whether all elements for a legal contract are present and, if not, which are missing.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Anger, William H. and Anger, H.D. Summary of Canadian Commercial Law. 18th rev. ed. Toronto: Sir Isaac Pitman (Canada) Ltd., 1962, ch. 2

RESOURCES REQUIRED

1. Flip chart.

METHODOLOGY

1. Hand out the Readings; read and discuss the Purpose and Introduction.

PURPOSE

A CONTRACT is the basic tool of business. In this lesson you will study and discuss the five major elements that must be present before a legally enforceable contract exists.

INTRODUCTION

Negotiation or discussion takes place before buying and selling property or agreeing to work for someone. The object of this negotiation or discussion is agreement. When agreement is reached, a set of promises come into affect. Promises which are legally enforceable are known as CONTRACTS.

Consider the following example. Suppose you decide to buy a car. You are going to pay cash. After checking with various car dealers you find a car which is just what you want. However, the price is about $100.00 higher than you want to pay. You let the dealer know you are interested but you offer him less than the listed price. In fact, you probably offer him less than you are willing to pay. If he wants to make a sale, he will likely make a counter offer which is less than his original price but still above the offer you made. This kind of negotiation will usually continue until a mutually agreeable price is reached. This is the point at which one of you makes an offer and the other accepts the offer.

This example points out one of the elements that is necessary to the formation of a legally enforceable contract: namely "mutual agreement". An offer by one party which is accepted by the other party is called "mutual acceptance".

This lesson introduces you to the elements that are essential in a legally enforceable contract.

OBJECTIVE: GIVEN SOME ELEMENTS OF A CONTRACT, THE STUDENTS WILL BE ABLE TO IDENTIFY WHETHER ALL ELEMENTS FOR A LEGAL CONTRACT ARE PRESENT AND, IF NOT, WHICH ARE MISSING.

Stimulus

2. Ask students: "What is necessary for a legal contract to exist?"

Clarify Problem

3. Ask a student to list on the flip chart what they think are the necessary elements of a contract.

Provide Information

4. Read and discuss Section 1 of the Readings.

CONTENT

1. Definition of a Contract

The following definitions are provided primarily for discussion purposes. You are not expected to memorize them.

a. *A legally enforceable contract is a deliberate agreement between two or more competent parties (not necessarily in writing) which is* *supported by mutual consideration to do some legal act voluntarily.*[1]

b. *A contract is an agreement between two or more capable persons, for a legal consideration or value, to do or not to do some lawful and genuinely intended act.*[2]

c. *A contract is a promise or set of promises which the law will enforce.*[3]

The above definitions will become clearer as you read through the following sections. Further clarification will come in later lessons in this subject area when each of the elements are examined in detail.

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[1] Chapman, F.A.R. Fundamentals of Canadian Law. Toronto: McGraw-Hill Company of Canada Ltd., 1965, p. 59.

[2] Anger, William H. and Anger, H.D. Summary of Canadian Commercial Law. 18th rev. ed. Toronto: Sir Isaac Pitman (Canada) Ltd., 1962, p. 11.

[3] Smyth, James E. and Soberman, D.A. The Law and Business Administration in Canada. 2nd ed. Scarborough, Ontario: Prentice-Hall of Canada Ltd., 1968, p. 46.

5. Read Sections 2 and 3 of the Readings. After each sub-section, discuss to ensure that students understand the points.

2. Elements Necessary to Form a Legally Enforceable Contract

There are five major elements necessary to the formation of a legally enforceable contract. They are:

a. Mutual Agreement (offer and acceptance)
Mutual agreement occurs when the offer made by one party is accepted by the other party. For example: "I offer to sell you my truck for $700.00," or, "I'll take $700.00 for my truck," are good offers. A response such as: "I accept" or, "I accept your offer," means that mutual

agreement has been reached (that is, an offer has been made by one party and accepted by the other.)

b. Consideration

If you promise to do something, the law will not make you carry it out unless you receive something or are promised something in exchange. The "something" that you receive in exchange is called "valuable consideration" because it is legally considered to have some value, however little that value may be. Valuable consideration may be money, a material item, an act or a promise (that is, anything to which value can be attached.)

Valuable consideration is a legal necessity in making a contract because it is considered to be against human nature to make a promise for which nothing is received in return.

c. Genuine Intention to Create Legal Relations

Agreeing to the terms of a contract or signing your signature to it because your life was threatened, obviously makes the contract void. There was no genuine intention on your part to enter into the contract.

d. Capacity to Contract

Note that definition a. states that a contract is an agreement between ... "two or more COMPETENT parties", and definition b. points out that "A contract is an agreement between two or more CAPABLE persons...." Most people are legally competent or capable of entering into contracts which are binding upon them. There are, however, some people or groups of people who are not liable for their contractual obligations. They are:

(1) Minors and Infants

In Canada these are persons (male or female) who have not reached the "age of majority" -- traditionally twenty-one. You should be aware that most provinces have reduced the age of majority to eighteen years of age.

There are two classes of contracts a minor can enter into which are as valid and binding upon him as they would be on any other person. These are:

(a) A contract for necessities (that is, goods or services which the infant needs to stay alive, healthy and secure; such as food, clothing, lodging, medical services and education).

(b) Contracts which are beneficial to the infant for purposes of apprenticeship or employment.

In general, all other contracts entered into by a minor can be repudiated by him. This means that the contract of a minor is unenforceable against him but enforceable by him against the other party.

(2) Mentally Incompetent Persons or Intoxicated Persons
Both mentally incompetent persons and intoxicated persons are liable for necessities which have been sold and delivered to them.

Any other contract is also binding upon these two types of people unless it can be proved that:

(a) when they made the contract they were mentally incompetent or so intoxicated that they did not know what they were doing; and

(b) the other party to the contract was aware of this condition.

In order to avoid liability, the incompetent or intoxicated person must repudiate the contract as soon as possible after he has returned to his normal state (condition). If he does not act promptly he loses this privilege.

(3) Treaty Indians
In Canada, Indians living on reservations are wards of the crown. To protect them against fraud they have been rendered legally incapable of entering into contracts, even for necessities.

Section 89 of the INDIAN ACT reads as follows:

> *89. (1) Subject to this Act, the real and personal property of an Indian or a band situated on a reserve is not subject to charge, pledge, mortgage, attachment, levy, seizure, distress or execution in favour or at the instance of any person other than an Indian.*
>
> *(2) A person who sells to a bank or a member of a bank a chattel under an agreement whereby the right of property or right of possession*

> *thereto remains wholly or in part in the seller, may exercise his rights under the agreement notwithstanding that the chattel is situated on a reserve.*[4]

Indians can sue another party for failure to fulfil the terms of a contract but they cannot be sued by the other party for failure to fulfil their part of a contract.

Indians are free to leave the reservations at any time. They are then free to enter into binding contracts.

(4) Enemy Aliens
Enemy aliens are residents of countries with which our country is at war. Any contracts which have been in existence prior to hostilities are immediately suspended. In addition, it is illegal to enter into a contract with an enemy alien during hostilities.

(5) Bankrupt Debtors
Until a bankrupt debtor receives a discharge from the court, he is not allowed to enter into a legal contract.

(6) Corporations
Corporations receive the authority to conduct business activities either by being granted letters patent or by having their memorandum of association registered. In either case, they are restricted in the types of contracts they may enter. If they enter into contracts for which they do not have authority, these contracts are ultra vires (beyond their powers) and are, therefore, void.

The main point to remember about capacity to contract is that while the above persons or groups of persons are free to enter into contracts, the courts will not enforce these contracts against them. If a contract is not legally enforceable, it is not a legal contract.

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[4] R.S.C. 1952, c. 149, s.89

e. Legality of Object

A contract is void if the object of the contract is illegal. For example, suppose that you promise a taxi driver a large tip if he will exceed the speed limit in order to get you to your destination on time. If he exceeds the speed limit and you do not give him the promised tip, he will not be able to sue you in court. In fact, he may not even be entitled to the regular fare because he broke the law.

Contracts in which crimes, dishonesty, damage to life or property, etc. are the object, are void.

3. Summary

A contract can appear to exist, but if any one of the five major elements discussed above are missing, then that contract does not exist by law.

According to the law, a contract exists if it is legally enforceable through the courts. If a contract is legally enforceable, the courts can force one party to either do what he has promised or else pay money damages to the other party.

It is important to be familiar with the five elements necessary for a contract to exist. They are:

a. Mutual agreement (offer and acceptance)
b. Consideration
c. Genuine intention to create legal relations
d. Capacity to contract
e. Legality of object.

In the Business Law lessons to follow, you will discuss these elements in greater detail.

Indicator

6. Present the following exercises to the students. Discuss fully the answers given by the students to the questions.

a. Joe Smith approached Tom Hill to purchase Tom's car. Joe had been out of school five years and had a good job. He thought Tom's car was exactly what he wanted.

Tom Hill was an agressive fellow. Ever since he was very young he had taken jobs after school and in the summer vacation to earn some money. Last year Tom had enough money to buy himself a used sports car. It worked like a charm and Tom took good care of it.

Tom was a hard worker at school and was finishing his grade 12 at the age of 17. Next year he wanted to go to university and he could not afford to keep his car.

Joe offered Tom $800.00 for his car with $200.00 cash and the rest in four months. Tom said he would have to think about it for a day.

The following day Tom said the price was too low. He wanted $1,100.00 and he wanted all cash. Joe said $1,100.00 was too much but he would go $1,000.00. Tom refused to consider less than $1,100.00.

Two months later Tom came back to Joe and said he would accept the $1,000.00 since he was leaving for university.

Joe said he would not buy the car. Tom was angry and said that they had agreed on a price.

(1) Question: Is there a legal contract here?

(2) Suggestions:

(a) Age does not matter since the contract is not being enforced against Tom.

(b) There is no agreement on price. The refusal by Tom stopped the transaction. Tom's new proposal is part of a new negotiation.

(c) In any event, Joe had not agreed to an 'all cash' price.

b. Mike Jacobs had lived on a reserve all his life. He wanted to buy a T.V. set so he went into the nearest town and bought a colour set for $750.00. The store requested a $125.00 down payment and prepared a conditional sales contract for $625.00 to be paid at $50.00 per month.

Mike returned home with the T.V. and made regular payments. After the sixth month Mike was sick and unable to work. He contacted the store and told them he was unable to make payments.

At the end of the tenth month when no payment was received, the store sent someone to pick up the T.V. set. Mike refused to let the T.V. go. A battle started and the police were called.

(1) Question: Was there a legal contract here?

(2) Suggestion: Yes. The store was protected in dealing with the treaty Indian by retaining the ownership by means of a conditional sales contract until the T.V. set was paid in full.

SUBJECT MANAGEMENT PROCESS

LESSON MP9 THE ORGANIZING FUNCTION

INSTRUCTOR'S GUIDE

OVERVIEW

The students have seen the importance of planning a business and will by now be involved in the planning of their business projects.

In each project, a number of students will be working together; they may be somewhat uncertain about assigning responsibilities to various members of the project, and they may not foresee all the functions which they should consider in organizing their project.

This lesson should be of considerable help to the students if reference is made to jobs they have previously had and to the projects on which they are presently working.

OBJECTIVE

The students will be able to draw an organizational chart showing the lines of communication between line and staff positions.

REFERENCE MATERIAL FOR INSTRUCTORS

1. Flippo, Edwin B. Management: A Behavioral Approach. Boston: Allyn and Bacon Inc., 1970, pp. 129 - 191.
2. Keith, Lyman A. and Gubellini, Carlo E. Introduction to Business Enterprise. Toronto: McGraw-Hill Company of Canada Ltd., 1971, pp. 143 - 162.
3. Sisk, Henry L. Principles of Management. Cincinnati: South-Western Publishing Company, 1969, pp. 237 - 235.

RESOURCES REQUIRED

L. Flip Chart

METHODOLOGY

1. Hand out the Readings; read and discuss the Purpose and Introduction.

PURPOSE

The purpose of this lesson is to study the second management function: organizing.

INTRODUCTION

In Lesson MP7, "The Planning Function", we saw planning as a way to consider the future needs and actions of the business. The planning function involves the consideration of a number of alternatives in the area of sales, personnel, production and profit. The best plan can then be selected in view of the business circumstances. The choice of the best alternative provides a guide for the manager and is a basis for action.

Even with good plans, a business can do little unless there are people who can carry out these plans. These people must know what their jobs are and how they are to work together to carry out the plans.

Suppose we have a number of people in a business, and they all want to do the books, or they all want to be managers. There will be a great deal of confusion. It will be impossible to carry out the plans.

To be able to run a business where many people are employed, it is necessary to have some order. Each employee has to know what job he has to do from the manager down. Each employee has to know who his boss is. We call this organizing.

If there is only one person in the business there is no organizing necessary, since the person must do all the jobs himself. But as soon as more than one person is involved in a business, there is a need to assign jobs and co-ordinate the efforts of the various people working together.

MP9

The business with which you start may be a small business where you are the owner-manager and the only person involved. On the other hand, you may be involved in a larger business and have a number of employees.

The material in this lesson will be valuable to you even if you are the only one involved in the business at the beginning. Over a period of time small businesses grow and the job of clarifying the jobs of each employee will be important. In addition, you will be working with the government and other large organizations. These large organizations are often very difficult to understand unless you realize how they are structured.

In discussing the organizing function of management in this lesson, we will consider the areas of:

1. responsibility
2. authority
3. accountability
4. organizational structure
5. span of control.

OBJECTIVE: THE STUDENTS WILL BE ABLE TO DRAW AN ORGANIZATIONAL CHART SHOWING THE LINES OF COMMUNICATION BETWEEN LINE AND STAFF POSITIONS.

Stimulus

2. Ask students whether they have given each member of the group certain responsibilities for the project.

Clarify Problem

3. Ask: "Is there someone who has overall responsibility (manager)?"
"Is there someone responsible for sales (marketing), accounting, production, etc.?"

Determine any problems the students have found in allocating responsibility to members of the project.

4. Have the students relate experiences they have had in work situations from which they can describe the line of communication from the boss down to the workers. Are there gaps in communication?

Provide Information

5. Read and discuss Sections 1 and 2 of the Readings.

CONTENT

1. The Organizing Function Defined

Organizing can be defined as the management function which sets out the different jobs or positions in an organization and shows the relationship between the different positions.

The purpose of organizing is to give the people in an organization a clear understanding of what their jobs are and what responsibility and authority they have.

Suppose you organize a handicraft business for your area. What will be the responsibilities of the manager? How many people will he have working for him? Will there be supervisors or foremen? Who will do the financial and accounting jobs? Who will see to the production of the handicraft products? Who will be responsible for sales or advertising? Who will see to quality control? These are only a few of the many questions which must be answered in organizing a business.

We can see that organizing involves looking at the different positions in a business and seeing how all the people filling these positions can work together to attain the organization's goals.

A business or any other organization can quickly grind to a halt if there are no rules of order. It is necessary to know who is boss, to whom one reports, and what authority one has. You may have heard someone say, "I have so many bosses, I do not know which one I should listen to."

Organizing tries to avoid this type of problem. It involves establishing the conditions necessary for good working relationships. Each employee or each position in the organization should have responsibilities, authority and a line of communication clearly spelled out. This prevents much misunderstanding.

2. Responsibility

Responsibility is the obligation of each employee to perform the duties assigned.

This obligation applies to a manager who answers to a board of directors.

Every job or position carries responsibilities. It is important that the person in the position knows what is expected of him (that he knows what the responsibilities are in advance). This can avoid a lot of misunderstanding and confusion. This does not mean the boss should not give specific instructions as to what has to be done. It means the employee should have an idea of what is expected of him.

The higher the level of management, the more responsibility the employee has. This is because his decisions affect more people and more of the business resources.

Responsibility comes about when the owners of a business (members of a co-operative, shareholders of a company, partners in a partnership, or sole proprietors) delegate or pass on some of the responsibility of running the business. This responsibility is delegated or given to a manager who can then delegate some responsibilities to others.

In delegating some responsibilities to others, the manager does not lose his own responsibility for the job. He is still responsible for the job being done. The person to whom the work is delegated (the subordinate) is also responsible for the job.

A subordinate who does not accept responsibility for his duties cannot expect to stay very long in his position. Accepting responsibility is an exchange for the pay the employee accepts. It is a form of contract between employee and employer.

6. Ask the students if they have had jobs in the past in which their responsibilities were not clearly set out. Why was this? How could it have been overcome?

7. Read and discuss Sections 3 and 4 of the Readings.

3. Authority

Authority is a superior's (or boss's) right to give orders or instructions to an employee. This authority comes along with the responsibility of a job. When a board of directors gives a manager the responsibility to manage a business, they must also give him the authority to do the job.

If, for example, you are a foreman on a construction job and are given the responsibility for the construction of houses, you must be given the authority to deal with the employees. Otherwise, it is impossible to carry out the responsibilities.

Authority comes, therefore, with the delegation of responsibility. A person in authority carries the power to enforce obedience because he can dismiss employees who do not follow instructions. In later lessons we will deal with ways of getting employees to work without threatening the loss of their jobs.

Where a business is owned and managed by the same person, the owner-manager has the responsibility and the authority to have the business move towards its goals or objectives.

4. Accountability

Another concept to consider when dealing with the organizing function is that of accountability. The word is used to indicate that a subordinate must report or is answerable to a person in authority.

If a boss delegates responsibility to an employee, and the employee accepts the responsibility in return for the wages he receives, the boss or superior has the right to expect work from the employee. The employee must answer to his boss for his work; he is therefore accountable to his boss.

For an organization to work well, an employee should have only one boss. In other words he must be answerable or accountable to one superior. If an employee has two or more bosses, he may get confused as to what his responsibilites are. He may also get contradictory orders so that he does not know to whom he is accountable or answerable.

8. Ask the students if they have had jobs in which they were given responsibility and were not given the necessary authority. Have they had jobs where they were accountable to more than one boss? What were the consequences?

9. Read Sections 5 and 6, and discuss as you proceed, making sure the students understand the organizational chart and the difference between a line and a staff position.

5. Span of Control

By span of control we mean the number of people which one man can effectively supervise.

How many people should report to one man depends on the jobs involved. It is possible for a supervisor to have a larger number of people reporting to him if the job is of a routine nature, than if the job is of a management or supervisory type.

In a small organization, the manager may try to keep control of everything. As the business grows, the job can become so big that the manager is no longer doing a good job. He hasn't the time to give proper attention to each subordinate looking to him for direction. Not only does the work suffer, but morale in the organization may also decline.

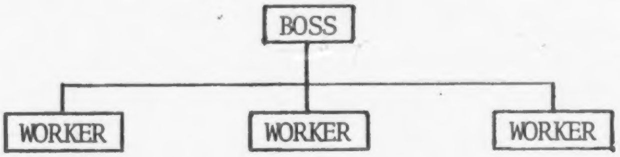
It is suggested that the manager may effectively supervise six to eight people. In some cases it can be more, in other cases less. The number of subordinates a supervisor can direct depends on the type of work, the ability of the manager, and the amount of work he is ready to do.

6. Organizational Structure

The discussion of the various points above is the basis for organizing a business organization. The areas of responsibility, authority, accountability and span of control should be considered when staffing a new organization, or in reworking an existing organization which needs better methods of working relationships.

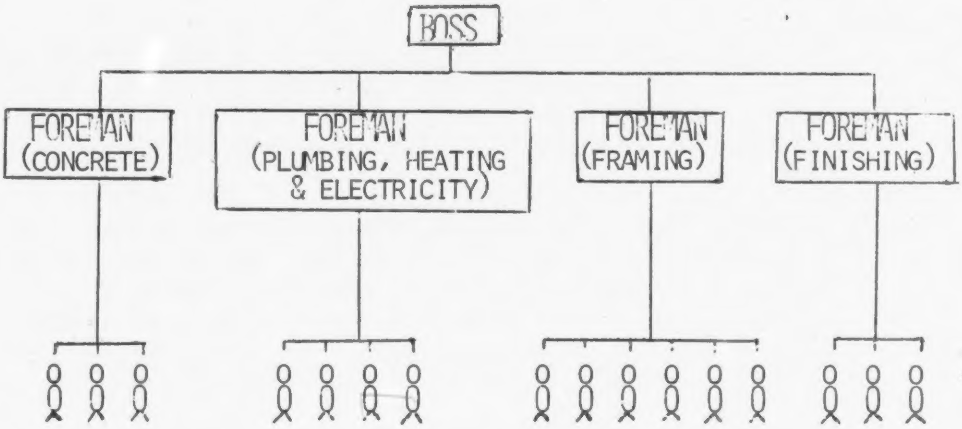
The relationships between employees can be drawn on an organizational chart. This chart represents part of the organizational structure of a business. It sets out the way in which a business organization is organized to enable the business to do the job as effectively as possible. The organizational chart uses a series of lines and rectangular boxes to demonstrate the relationship between different positions in an organization.

A simple example is as follows:



This diagram would represent a boss with three workers all reporting or accountable to the boss.

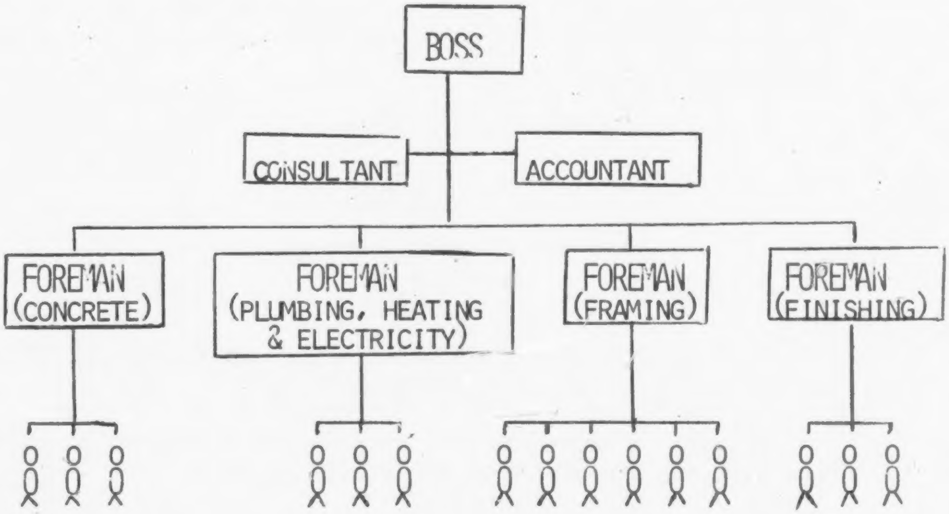
An organizational chart for a larger organization might look like the one shown on the following page.


BOSS
FOREMAN (CONCRETE)
FOREMAN (PLUMBING, HEATING & ELECTRICITY)
FOREMAN (FRAMING)
FOREMAN (FINISHING)

In this example which might represent a housing project, the boss or manager has four foremen who should be responsible for special areas of work: concrete (foundations), utilities, framing, and finishing. Each foreman has a number of men who are under him and who have certain duties or responsibilities which might be given to them.

This type of organizational chart is called a line organization since there is direct relationship or chain of command from top to bottom and back up from bottom to top. The foreman is said to be in a line position.

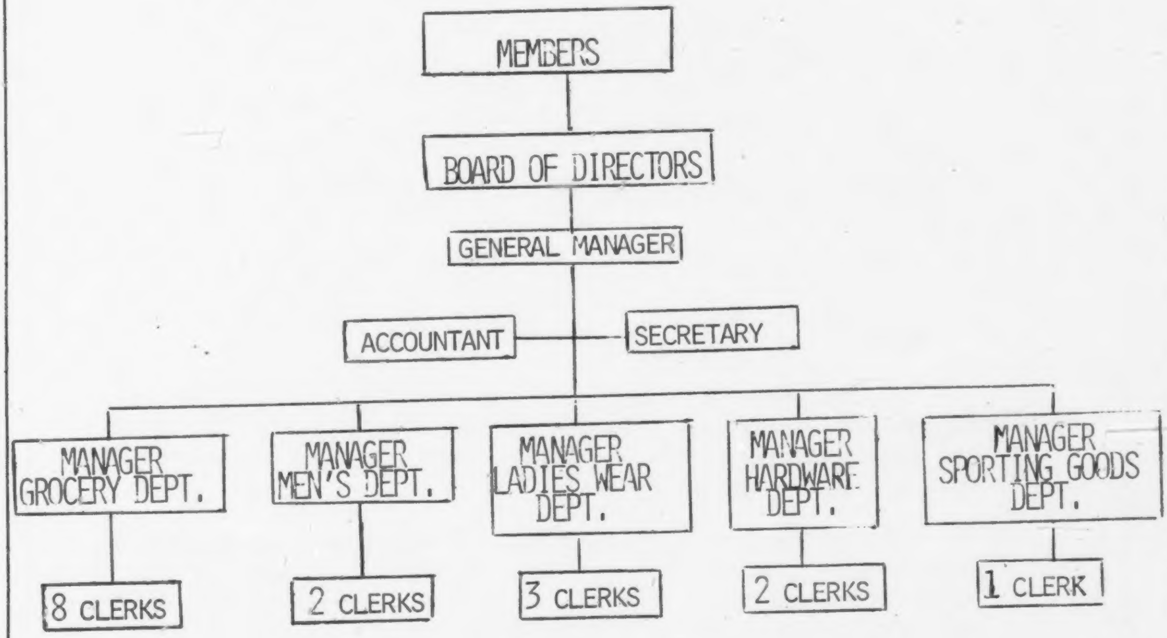
There is a possibility of having other people in an organization who fill what are called staff positions. These positions help the manager do his job. They are not directly responsible for the construction of houses. In the example below, two new positions have been added to the housing project.


BOSS
CONSULTANT
ACCOUNTANT
FOREMAN (CONCRETE)
FOREMAN (PLUMBING, HEATING & ELECTRICITY)
FOREMAN (FRAMING)
FOREMAN (FINISHING)

The two new positions (consultant and accountant) are called staff positions. They are intended to provide help or advice to the manager. They have no authority over the foremen or the workers. They can provide information to the manager and the foreman as required. Their responsibility is for technical advice or to perform duties of a special nature.

Other staff positions we find in an organization are personnel services, stenographic services, or research services. The type of staff positions in an organization will depend on the needs of the organization.

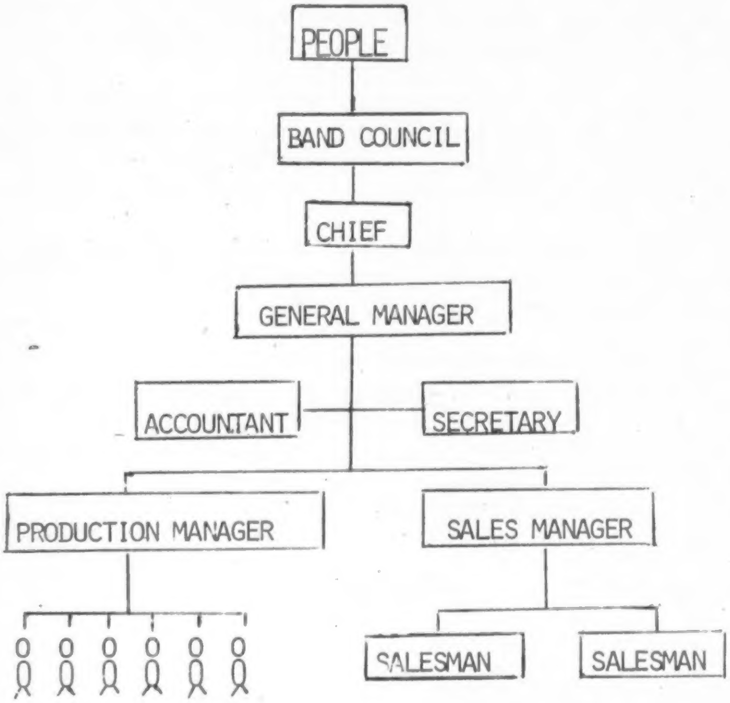
Let us now take the example of a community that sets up a large co-op store with a number of departments. The organizational chart might look like this:


MEMBERS
BOARD OF DIRECTORS
GENERAL MANAGER
ACCOUNTANT
SECRETARY
MANAGER GROCERY DEPT.
MANAGER MEN'S DEPT.
MANAGER LADIES WEAR DEPT.
MANAGER HARDWARE DEPT.
MANAGER SPORTING GOODS DEPT.
8 CLERKS
2 CLERKS
3 CLERKS
2 CLERKS
1 CLERK

The co-op members are the owners and they elect the board of directors who control the business on their behalf. The board of directors hire a general manager to whom they delegate the responsibility to manage the store. He in turn delegates part of the responsibility to departmental managers.

You will notice that this organization has two staff positions: an accountant and a secretary. An organizational chart has to be tailor-made to the needs of the organization. It has to represent the type of organization which is required to run an efficient business.

Let us take another example which might illustrate a band business on a reserve. Let us say it is a canoe manufacturing business.


PEOPLE
BAND COUNCIL
CHIEF
GENERAL MANAGER
ACCOUNTANT
SECRETARY
PRODUCTION MANAGER
SALES MANAGER
SALESMAN
SALESMAN

The management in this case is divided into two departments. One is responsible for the manufacturing of the canoe and the other for the sale of the canoe. Each has its own responsibilities and authorities.

The different organizational charts we have discussed in this lesson give an idea of how a business is organized but they do not tell the whole story. They do not spell out the duties and responsibilities or the authority of each position. This is done in an organizational manual which states the duties of each position, the relationship or line of communication between different positions. The job description is the document which sets out this information for each position. An employee should have his job description so that he knows his duties and responsibilities, his authority, and to whom he is accountable.

10. Read and discuss Sections 7 and 8.

7. Principles of Organizing

The previous discussion can be summarized in a few principles of organizing. We must remember that the organizing function applies primarily to larger businesses. Its purpose is to see that everyone knows what he must do, who is the supervisor or boss, and what authority he has.

a. The objectives of the organization should be clearly stated and non-conflicting.

Each person in the business should work towards a common goal. This is called the "unity of objective" principle.

b. The duties of each position should be clearly defined.

Each person in the business should know the jobs for which he is responsible and what authority he has to make decisions and give orders.

c. The relationship of each person to the rest of the organization should be clearly established.

Every person should know who is his boss and who are his subordinates so that every employee knows from whom he should receive orders and to whom he may give orders.

d. Whenever possible an employee should have no more than one immediate superior.

This is called "unity of command". More than one boss per employee leads to misunderstanding and confusion.

e. The number of subordinates for each boss should be kept within reasonable limits.

The number in any specific job will depend on the type of work, the ability of the supervisor, the frequency of new problems and the experience of the subordinates.

f. An organization should be adaptable to change.

In order to be effective, an organization's structure, as well as the individuals within the organization, must be adaptable to change.

8. Summary

In this lesson you were introduced to the idea of organizing. We saw organizing as the function of giving people in an organization certain responsibilities and authority to be able to carry out the plans of the organization. We saw that it is people who carry out plans and organize the physical factors of the business. Management's job is to make sure the people in the organization have the knowledge of their responsibilities and the authority to do their job.

We also saw that in any small business where only one or two persons are involved, there is little if any need of organization. For instance where a man and wife open a small general store, there is little need to organize. The same might be true of a small commercial fishing operation. But if you consider a larger outfitting camp, a manufacturing concern, or an urban commercial development such as some reserves are operating, organizing is greatly needed for an efficient and growing operation.

Indicator

11. Have the students do one or both of the following exercises.

a. Ask the students to construct an organizational chart of the school or some other organization which they know well. Check to see if the organizational chart obtained follows the principle of organizing.

b. Ask the students to form groups of four or five students. Have each group develop an organizational chart for an outfitting camp owned by a band.

The outfitting camp has a general manager, a supervisor of lodging, supervisor of food services, manager of the retail store, and a manager of guides services. There is an accountant, a secretary, and a promotion and public relations officer. There are two helpers in the food services, one clerk in the store and ten guides.

Ask what problems may develop in a practical situation with an outfitter camp as suggested above. Are board members likely to accept this type of organizational chart?

Have each group put these organizational charts on the flip chart and discuss them with the group.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM2 WHAT IS PERSONNEL MANAGEMENT?

INSTRUCTOR'S GUIDE

OVERVIEW

Students who take this course often have difficulty seeing themselves as employers. They tend to look at things from the employee's point of view. Hence, one overall purpose of the Personnel Management subject area is to overcome the "employee" bias of the students.

Also, some students have difficulty (in fact, they question) the importance and relevance of studying anything about Personnel Management. These students do not see that topics discussed in this subject have much to do with starting and operating a small business. Thus, a second overall objective of this subject is to change such student attitudes. We want them (preferably early in the course) to realize that the topics we discuss in this subject are important and relevant to the students' goals, whether these objectives are:

1. to start and operate their own businesses
2. to manage a business for someone else
3. to work for some government department.

Also, there is a need to emphasize that the importance of studying how to manage people holds whether the businessman has none, one, ten or a hundred people working for him. This is true because:

1. if he has no employees, he still has to deal with customers, suppliers, government agencies, etc. He can draw on his skills in managing people to help him succeed in these interrelationships;

2. if he has one or more employees, the need for knowledge of principles of managing are obvious, and furthermore, apply equally as well whether there are few or many employees.

The instructor should appreciate that the earlier in the course he can accomplish these overall objectives, the more the students will get out of the content of the lessons in the Personnel Management subject. Students who have graduated from the course and have been in management for awhile have indicated that emphasis should be placed on the Personnel subject.

This lesson, PM2, will begin the work towards these overall objectives.

OBJECTIVE

The students will be able to define the term "Personnel Management" and will discuss it's importance; they will consider some of the jobs involved in managing people.

RESOURCES REQUIRED

1. Flip chart
2. Projectual, PM2-1, "Employer or Employee"
3. Case PM2-1, "Joe Hires a Helper"
   PM2-2, "Disorganized and Going Nowhere"

METHODOLOGY

1. Do not hand out Readings.

OBJECTIVE: THE STUDENTS WILL BE ABLE TO DEFINE THE TERM PERSONNEL MANAGEMENT AND WILL DISCUSS ITS IMPORTANCE; THEY WILL CONSIDER SOME OF THE JOBS INVOLVED IN MANAGING PEOPLE.

Stimulus

2. Hand out Case PM2-1, "Joe Hires a Helper", and have the students read it.

Clarify Problem

3. Answer questions at end of case.

4. Have students list on the flip chart the jobs which they feel are involved in personnel management.

Provide Information

5. Hand out Readings.

6. Read Purpose and Introduction, and Sections 1 - 3.

PURPOSE

In this lesson you will discuss the meaning of "personnel management" and the reasons why ability in managing people is important.

INTRODUCTION

Regardless of what type of business career you choose in the future, you will be dealing with people. If you start your own business, or if you manage a business for someone else, you will very likely have people working for you at some time. Will you be able to manage employees? Will you be able to select, train, communicate with and discipline employees? Will your employees enjoy working for you? Will they respect your judgment and decisions? Will they feel free to discuss business activities and problems with you? Will they try to do their job to the best of their ability? Or, will they do only what they have to do? Will they be discontented? Will they work only until they can find a better job?

Generally the answers to these questions will depend on how capable you are at managing people -- and this means more than just telling people what to do and forgetting about them.

As you saw in lesson MP2, "The Individual and His Needs", and lesson PM1, "Why People Work", people have different needs. These needs must be recognized and efforts must be made by management to provide a work setting in which these needs can be realized.

Satisfied workers generally work better and harder than frustrated ones. Within limits, happiness increases efficiency in a business, while efficiency helps create a happy work setting. However, not all work can be well-paid or satisfying, and not all rules and regulations can be made acceptable. The object should be to create a work situation which minimizes undesirable factors and provides for the maximum satisfaction possible.

CONTENT

1. What is Personnel Management?

Personnel management may be defined as selecting, training, developing, and directing employees so that the needs of both the business and its employees are met.

2. The Importance of Personnel Management

If you have employees, skill in dealing with or managing people can improve the chances of your business being successful. For example, if the relationship between you and your employees is good:

a. They will work more efficiently;
b. They will be happier;
c. Morale will be higher;
d. There will be less absenteeism;
e. There will be less employee turnover.

As a result, your employees will likely be more courteous and pleasant to your customers than would otherwise be the case. This can be very important because:

a. Customers will enjoy coming to your place of business;
b. You will likely have steady customers who return time after time;
c. Your business will have a good reputation in the community.

3. The Types of Jobs Involved in Personnel Management

Managing people involves the following types of activities:

a. deciding what work (tasks) must be done
b. determining the number of employees required
c. inviting applications by advertising, word-of-mouth, etc.
d. interviewing applicants
e. selecting the workers who have the qualifications you require
f. training your new employees
g. giving workers responsibility
h. measuring performance
i. disciplining workers.

Communication plays an important part in personnel management. You must have the ability and willingness to communicate. This ability is necessary in:

a. training workers
b. giving workers responsibility for certain tasks
c. evaluating performance of workers
d. dealing with worker complaints
e. handling problems of lateness and absenteeism.

Effective communication will help ensure that your workers are informed about all aspects of their duties. As a result they will likely be happier, and morale will be higher than would otherwise be the case. A very positive effect of high morale is good customer relations.

7. Discuss each section and relate the jobs suggested in Section 3 to those on the flip chart. Did the students have a good idea of the jobs of personnel management? If they did not, it may be worthwhile to spend additional time discussing the job of personnel management.

8. Show Projectual PM2-1, "Employer or Employee", and ask what the advantages and disadvantages of each are. Keep lower left hand part of the projectual covered. List advantages and disadvantages on a flip chart.

9. Ask students how they see themselves in the future: as employer or employees. How would they feel most comfortable? Why? Try to get discussion going on the differing responsibilities and skills required of a boss and a worker.

10. Point out to the students: "As future owner-managers, you may have other people working for you. Therefore, you will need to learn something about how to manage workers." Then mention: "Employers have fun too, you know!" and show bottom left-hand corner of the projectual.

11. Read Section 4 of Readings and discuss.

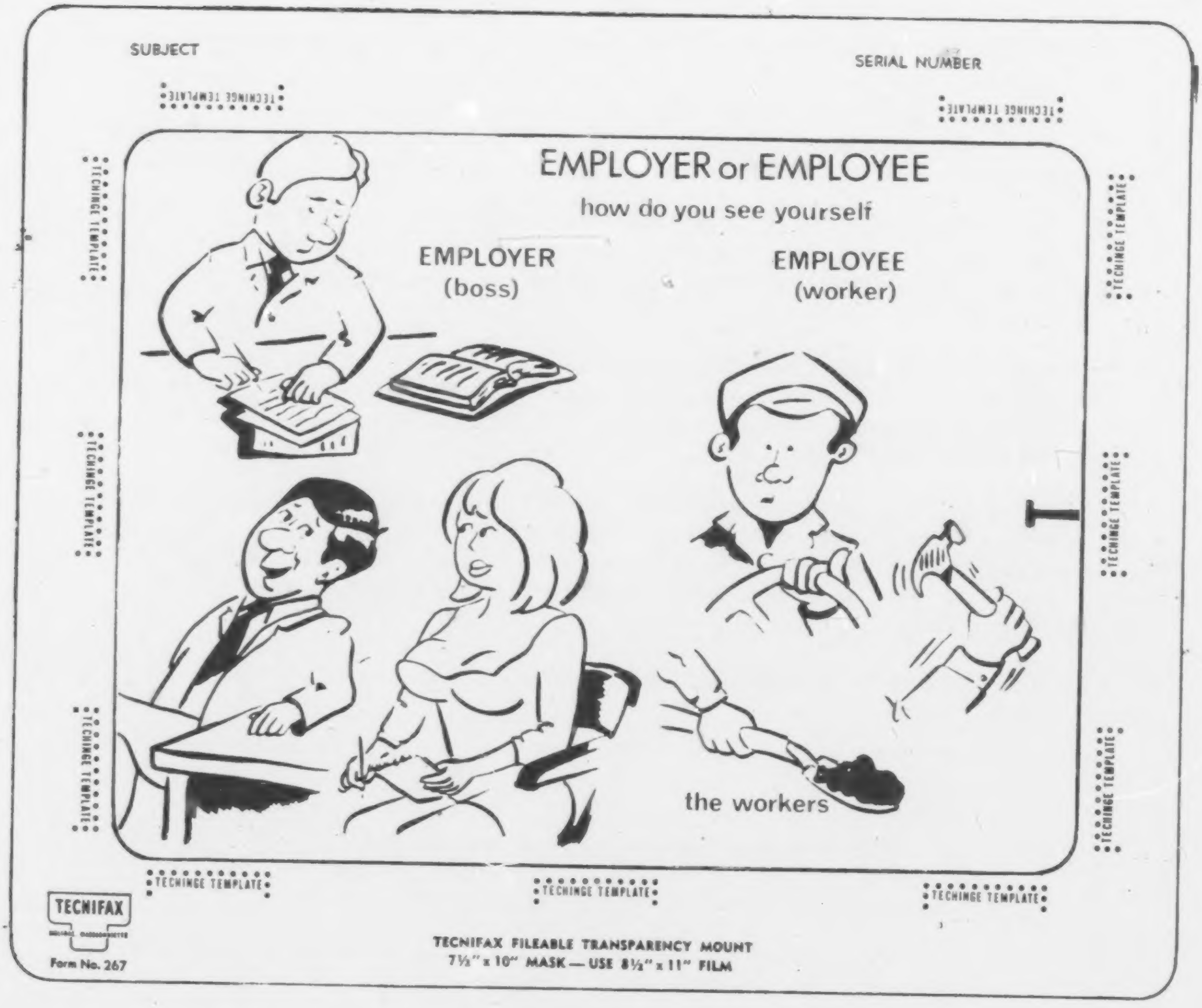
4. Summary

Personnel management is the management of people in such a way that both the needs of the business and the needs of each employee are met as far as possible.

If workers are happy, their morale is usually higher and they will do a better job. However, it must be recognized that work is not always pleasant, and workers do not always agree with rules and regulations. This means that some workers will be unhappy at times and may become discouraged over certain aspects of their work. A manager can often overcome such problems by being an effective communicator. Often workers may not enjoy some of their tasks, but if the reason for and

PM2

PM2-1 EMPLOYER OR EMPLOYEE


SUBJECT
SERIAL NUMBER
EMPLOYER or EMPLOYEE
how do you see yourself
EMPLOYER
(boss)
EMPLOYEE
(worker)
the workers
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
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the importance of these tasks is fully explained, the workers will be more willing to carry them out.

Indicator

12. Hand out Case PM2-2, "Disorganized and Going Nowhere".
    Read the case, and answer the questions at the end of the case.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM2 WHAT IS PERSONNEL MANAGEMENT?

CASE PM2 - 1

JOE HIRES A HELPER

Old Joe Krol ran his own service station for twenty years. He did everything himself; pumped gas, repaired engines, kept books, shovelled snow, fixed tires, drove tow truck, swept floors, etc.

Joe was a very friendly fellow. He was a hard worker and always treated his customers well. His business grew quite a lot over the years. In fact, business was so good Joe felt he couldn't do everything anymore. He decided he had to hire a helper. It wasn't an easy decision for him to make. He had been used to working alone all these years. He knew all the troubles other small businesses in the area had trying to get and keep good workers. But Joe thought if he went about things in the right way he shouldn't have all the problems other businesses had. Here is how Joe reasoned things out.

"I really have two problems. One is finding the right man and the other is keeping him once I've got him. It's easy to lose a good man. Other fellows will try to grab him from me once I've trained him."

"To make sure I get the right man, I think I'll do these things:

1. Figure out what jobs I want somebody to do. I want to keep doing some jobs myself.
2. Write down all the jobs this man is going to have to do. I'll describe the job in detail so the guy knows what he's expected to do.
3. Write down what type of man I want. I don't want every Tom, Dick and Harry thinking he can qualify for the job. My business is important. I want someone who knows the service station business and who will know how to serve my customers so they are satisfied.

4. After I've done these things I'll write a job ad and get the word out that I need a helper. I can stick some ads up around the village and I think I'll put it in the paper over in the next town, it only costs $2.00 for a week. This should give me a good exposure. The more people that apply, the better chance I have of finding the kind of guy I need for the job."

(Here is Joe's job ad)

WANTED: Helper For Service Station

Good opportunity for neat, honest and reliable man between 20 and 45 years. Must have previous service station experience. Apply in writing or call Joe's Service, East Hill.

5. "I'll handle the men that apply like this:

   a. I'll look at the letter I get. If the fellow looks good, I'll ask him to drop in to see me.

   b. I'll interview those that drop by (and those I ask in). I've been in this business a long time and I think I know a good service station man when I see one. Just to be sure, I'll ask him a lot of questions to size him up.

   c. If I like the guy after the interview, I think I'll test him to see if he can do the jobs. I'll ask him to serve a few customers, grease a car, change oil, drive the tow truck, etc. A lot of guys will tell you they can do a thing but when they try they're no good. This will also give me a chance to see how much training the guy will need. I don't mind training him some, but I can't afford to spend a year at it.

6. Then I'll take the guys I like best and check up on them. They'll have to tell me where they've worked before, where they come from and who knows them well. I've seen businessmen get fooled before. The guy looked real good at first sight so they hired him. But later they found out he got into a lot of trouble. I'll check first to see if anybody who knows this guy (especially his past boss) has anything bad to say about him. I think I'll visit his past boss in person because a lot of guys don't want to talk about personal matters on the phone or in a letter.

7. Now, I'll pick the best guy for the job. I only need one fellow so I'll offer the job to the one I think can do the job the best. I'll offer him $2.00 an hour. If he wants more I may go up to $2.25. Some operators pay their helpers a bonus for every car they grease or oil. But that's no good because the fellow just tries to force customers to have their cars done even if they don't need it. Some fellows lose a lot of customers that way.

8. If I get a real good helper, I want to be sure to keep him happy so he won't quit. I think that if I'm a good boss he will stay. My ideas of a good boss is one who:

   a. understands people
   b. doesn't breathe down worker's neck
   c. gives the worker some responsibility
   d. sits down and talks things over with his workers now and then
   e. is a good listener
   f. is fair with the workers
   g. praises the worker when he does a good job
   h. can give a worker hell when he deserves it but without making him feel two inches high.

   I figure if I do these things, I'll get a good helper and be able to keep him."

Questions for Discussion

1. What are the steps Joe went through in hiring a worker? List them. Discuss them.

2. Do you agree with Joe's idea of a good boss?

3. Do you think the ability to manage people is an important skill for a businessman to have?

4. What is meant by the term "personnel management"?

SUBJECT PERSONNEL MANAGEMENT

LESSON PM2 WHAT IS PERSONNEL MANAGEMENT?

CASE PM2 - 2

DISORGANIZED AND GOING NOWHERE

The community of Pine Bluff had a lot of unemployed men. A few men farmed and a few fellows worked for the Department of Natural Resources (D.N.R.) but most men just had odd jobs (fire fighting, wood cutting) at different times in the year.

In 1972 a pulp company announced it was going to build a big mill near Pine Bluff. The mill was going to pay $20.00 a cord for pulp wood to anybody who wanted to lease a piece of bush and cut pulp.

The people in Pine Bluff were quite excited at this announcement. However, there was one problem. None of the men could afford to buy the equipment needed to have an economic pulp cutting outfit. The only way they could raise the money was to get together and form a co-op. This way each man could put in what money he had and the rest could be borrowed from a bank.

There was a big meeting. Almost everybody from the community was there. It was agreed that a pulp cutting co-op would be set up. The equipment was ordered and the bush was leased. Fifty men joined the co-op.

About one month after the pulp cutting began the men were fighting amongst themselves. Some of the problems were:

1. Some men did more work than others but didn't get any more pay.
2. Some men missed a lot of work, especially right after pay day.
3. The helpers that were hired were lazy and a lot of them quit.
4. There were too many men working around each machine; the machine couldn't keep up. Nobody wanted to repair the machines. Some that were repaired broke down again.

5. Everybody had different ideas on how things should run. There weren't any meetings held to put the men's thoughts together.

6. Nobody knew who was in charge of what job. Some jobs weren't done because nobody took responsibility for them.

7. The people were "disorganized and going nowhere".

Questions for Discussion

1. What personnel management problems do you see in this case that need to be solved? List them.

2. How would you solve these problems? List your suggestions.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM3 DIFFERENT TYPES OF LEADERS

INSTRUCTOR'S GUIDE

OVERVIEW

Anyone who has other people working for him should consider what kind of leader he is. This self-analysis is helpful in that it points out where the leader can improve his management of people.

The students should be considering now the kinds of leaders they will eventually be. This lesson exposes them to the various 'styles' of leadership that have been identified and described. The main points of the lesson are:

1. Different styles of leadership (or ways of treating workers) do exist.
2. Any style can be successful in certain circumstances, but there are some styles that tend to produce better results.
3. The style of leadership has a tremendous effect on how the workers feel and work.
4. Just as styles of leadership differ among bosses, so there are different types of workers. Students should realize that different workers may have to be treated differently.

OBJECTIVES

1. The students will discuss various styles of leadership.

2. The students will analyze the assumptions that underlie the various styles of leadership.

3. The students will consider the style of leadership which they will adopt.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Longenecker, Justin G. Principles of Management and Organizational Behavior. Columbus, Ohio: Charles E. Merrill Publishing Co. 1969, pp. 464 - 488.

RESOURCES REQUIRED

1. Case PM3-1, "Different Types of Bosses".
2. Case PM3-2, "Two Ways to See Workers".
3. Projectuals: PM3-1, "What Kind of Boss Are You?"
   PM3-2, "Different Types of Bosses"
4. Films: "Supervising Workers on the Job" (10 min.)
   "Supervisor As a Leader - Part I" (14 min.)
   "Supervisor As a Leader - Part II" (13 min.)
   "How Good is a Good Guy?" (10 min.)
5. Videotape, "Late for Work" (3 min.)

METHODOLOGY

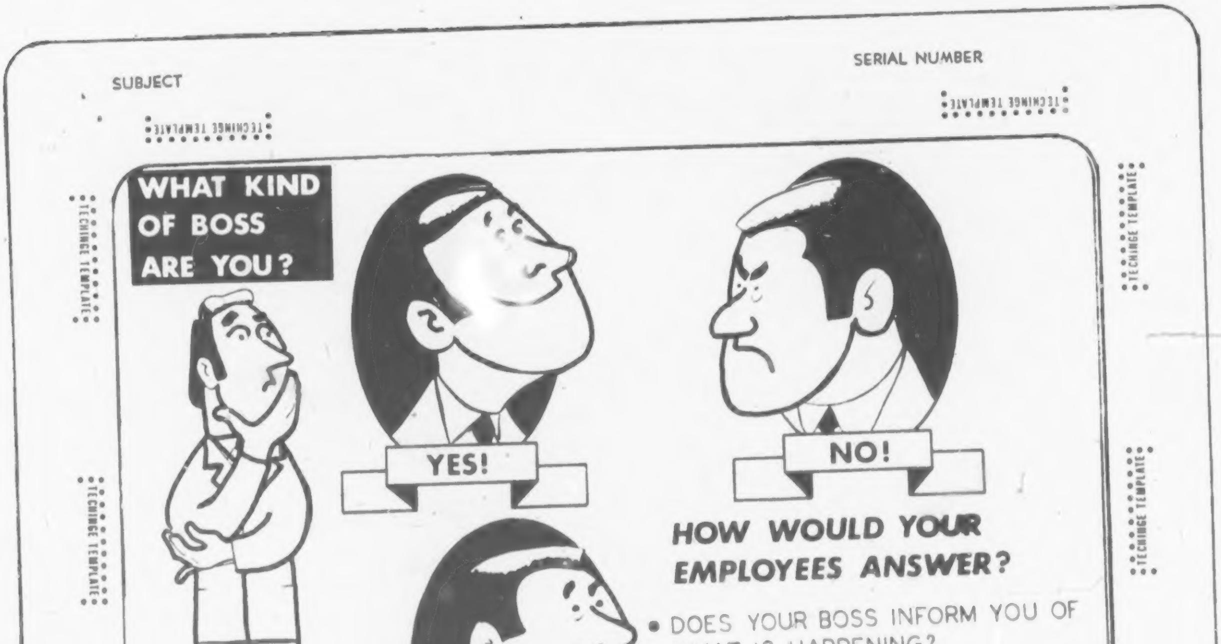
1. Hand out the Readings, read the Purpose and Introduction. Show Projectual PM3-1, "What Kind of Boss Are You?"

PURPOSE

In this lesson you will discuss the different types of leaders, managers and bosses which are found in business and in other organizations. First you will consider the different leadership styles and the way that leaders who adopt these styles see their workers. Then you will consider how you intend to treat your employees.

PM3

PM3-1 WHAT KIND OF BOSS ARE YOU?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WHAT KIND OF BOSS ARE YOU?

HOW WOULD YOUR EMPLOYEES ANSWER?

- DOES YOUR BOSS INFORM YOU OF WHAT IS HAPPENING?
- DO YOU KNOW WHAT IS EXPECTED OF YOU?
- DOES YOUR BOSS PRAISE YOU WHEN YOU DO GOOD WORK?

INTRODUCTION

Many people think that they would make a good boss; however, there are few really good bosses. As a future manager or owner-manager, you will have to think about the kind of boss you will be. Will you be selfish or friendly? Will you be severe and strict or lenient and easy-going? What assumptions will you make about people? Will you think your workers are incompetent, lazy and not to be trusted, or will you think they are competent, willing to work and trustworthy?

These are some of the questions you should ask yourself. You must realize that the way you behave as a boss or leader will have a big effect on how your workers feel and work.

Think of some of the bosses you have had. What did you think of them at the time? Will you boss your employees the way they bossed you?

OBJECTIVE 1: THE STUDENTS WILL DISCUSS VARIOUS STYLES OF LEADERSHIP.

Stimulus

2. Hand out Case PM3-1, "Different Types of Bosses", and read over with the group.

Clarify Problem

3. Discuss the questions at end of the case:

   a. "What are the different types of bosses talked about in this case? What names can you use to describe each type?"

   b. "What kind of bosses have you had?"

   The students should see that different styles of leadership are possible, and that no one style is best in all circumstances. Point out that a good boss has to be flexible. He had to be tough in some situations and easy in others; but he must be fair in all situations.

Provide Information

4. Read Section 1 a. of the Readings.

CONTENT

1. What Are Styles of Leadership?

Styles of leadership are the many different ways of managing workers. No one style is best in all cases, although some styles are generally better than others. A boss must be flexible in dealing with his workers; he may have to be severe with some employees at certain times, and easy with others. Each worker should be treated as an individual.

The style of leadership shown by a boss depends greatly on the type of person he is, and on the kinds of workers he has to lead. To help analyze your leadership style, we will discuss two different ways of looking at leadership. Since these two approaches take different points of view, it is not possible to compare the two point for point. If you are at one end of the scale on one approach, you are not necessarily on the same end of the scale on the other. The two approaches, concerning the leader's attitude toward supervision and discipline and toward worker participation, are presented here to encourage discussion and reflection on the type of leader you see yourself to be.

a. Leader's Attitude Toward Supervision and Discipline

This approach concerns the ways in which a leader supervises, gives orders and disciplines his workers. In your experience, you have probably seen bosses who are the hard, tough, dictator-type. You have probably seen other bosses who are wishy-washy, and cannot make up their minds or give orders. You may have seen bosses who are between these two extremes. We can picture this style of leadership on a scale.

☐ Severe, Dictator-Type Boss
☐ Fairly Strict Boss
☐ Moderate, In-Between Boss
☐ Fairly Lenient Boss
☐ Soft, Easy-Going Boss

There are many words and phrases to describe these types of bosses. The phrases listed below apply to the types at either end and the middle of the scale. However, most bosses do not fit these types exactly, but have some characteristics from each side.

Tough, Dictator-Type Boss	In-Between Boss	Soft, Easy-Going Boss
Thinks workers always have to be told exactly what to do, and when how to do it.	Thinks workers need some guidance in what to do, and when and how to do it.	Thinks workers do not need to be bossed at any time or for any job.
Thinks that workers generally cannot be trusted to work without his supervision.	Thinks of each worker as an individual; sees some who need a firm approach and others who work best with an easier approach.	Lets his workers do as they please; lacks ability to make decisions and to supervise.
Disciplines his workers harshly forgets they are human and have feelings.	Knows how to be flexible; matches his discipline with the particular situation.	Does not discipline his workers; afraid of hurting their feelings.

The qualities of the In-Between Boss seem to be ideal because he is flexible in all situations; in real life we seldom find a boss who matches these qualities exactly. Leaders usually rate somewhere on either side of the scale, or else switch from side to side according to the circumstances.

5. Read Section 1 b. and discuss.

b. Leader's Attitude Toward Worker Participation

This approach to leadership concerns the ways in which a boss involves his workers in the decision-making process; how he encourages his workers to take an interest in, and participate in, the affairs of the business. Most workers like to be involved to some extent in making decisions about the work they are doing, and a good leader will encourage them to do so. This helps build better morale among the workers. Again, a scale will illustrate the different degrees to which leaders involve workers in making decisions.

☐ Makes Decisons, Then Tells Workers
☐ Tries To Sell His Decisons To Workers
☐ Involves Workers Freely in Making Some Decisions
☐ Consults Workers Before Making Decisons
☐ Lets Workers Make Decisions That Concern Them

It is much more difficult to describe the ideal in terms of the leader's attitude toward worker participation. The personalities of the leader and the workers, and the type of work all have to be considered in establishing a leadership style in this area.

Generally, a good leader will encourage his workers to participate in making those decisions that concern them. Often this means that the more responsibility a worker has, the more he will be involved in decision-making. Employees often have good ideas which can help the boss in his job. However, he must always remember that he is the boss, and his objective is to ensure that the business meets, or moves toward, its goals.

In some cases, workers do not want to participate in decision-making. Also some very capable leaders do not want to bother involving their workers, or do not feel it would be worthwhile. Each leader must determine how he best operates in view of all the circumstances; doing the best possible job for the business, yet considering the workers' need to be involved.

Whatever attitude toward worker participation a leader chooses to adopt, it is important that he be able to analyze his behaviour to see if he is doing the best he can under circumstances.

6. Show film, "Styles of Leadership" (26 minutes)

   a. Summary of Film Content
      The setting is in a rather large business. The film shows how four different types of leaders handle a business problem.:

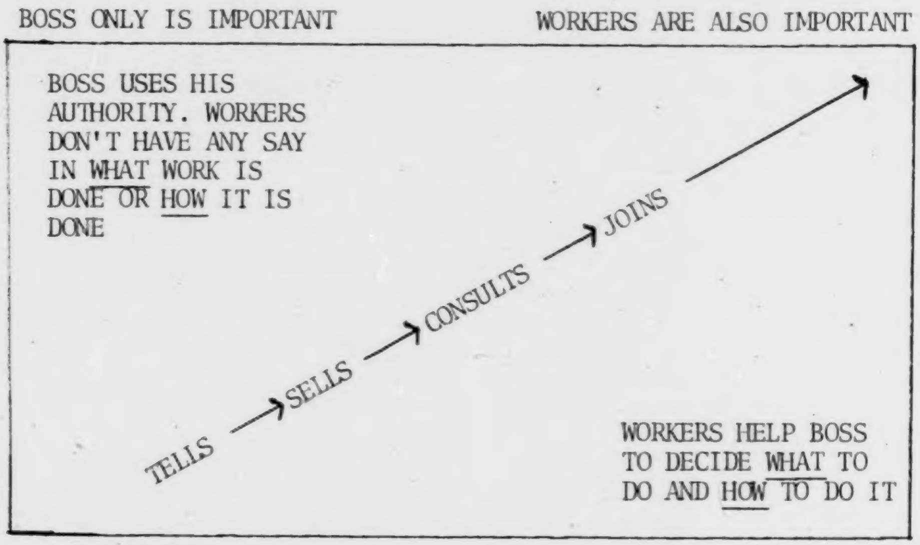
      (1) One leader just TELLS his workers what to do and how to do it. The workers are not involved in the decision.

      (2) One leader SELLS the workers on doing a good job. The workers are not involved in the decision.

      (3) One leader CONSULTS with the workers on how the job should be done. The workers have some say in the decision.

(4) One leader JOINS the workers. The workers make the decision themselves within certain limits set by the boss.

A chart is made to show these four different leadership styles.


BOSS ONLY IS IMPORTANT
WORKERS ARE ALSO IMPORTANT
BOSS USES HIS AUTHORITY. WORKERS DON'T HAVE ANY SAY IN WHAT WORK IS DONE OR HOW IT IS DONE
TELLS
SELLS
CONSULTS
JOINS
WORKERS HELP BOSS TO DECIDE WHAT TO DO AND HOW TO DO IT

b. How To Introduce Film

This film is quite complex in language and concepts; however, it may reinforce some of the lesson material.

Mention: "The film shows how four different types of bosses handle a problem. You should watch for ways the workers are affected by each type of boss. Also you might think about what kind of boss you will be."

c. Questions

(1) "Can you draw the chart showing the four different types of bosses in the film?" Check to be sure students understand words used on this chart.

(2) "What words or sentences can you use to describe each style of leadership?" Look for suggestions similar to the following:

TELLS	SELLS	CONSULTS	JOINS
- a dictator - uses a lot of authority - hard boss - tells workers what to do and how to do it - he doesn't give any responsibility to workers - he doesn't listen to workers' suggestions - he doesn't trust workers - he thinks workers are dumb - has no respect for workers' feelings	- tough boss - tries to convince workers that his way of thinking is best - has some respect for workers' feelings	- friendly boss - asks workers to help him make decisions - respects workers' feelings - makes workers feel good because they have had a part in making decisions	- he believes workers have good ideas which will help work get done better - he gives general instructions and lets workers do their job provided they follow general guidelines

7. Show Projectual PM3-2, "Different Types of Bosses", which is a more sophisticated version of the chart presented in the film, "Styles of Leadership".

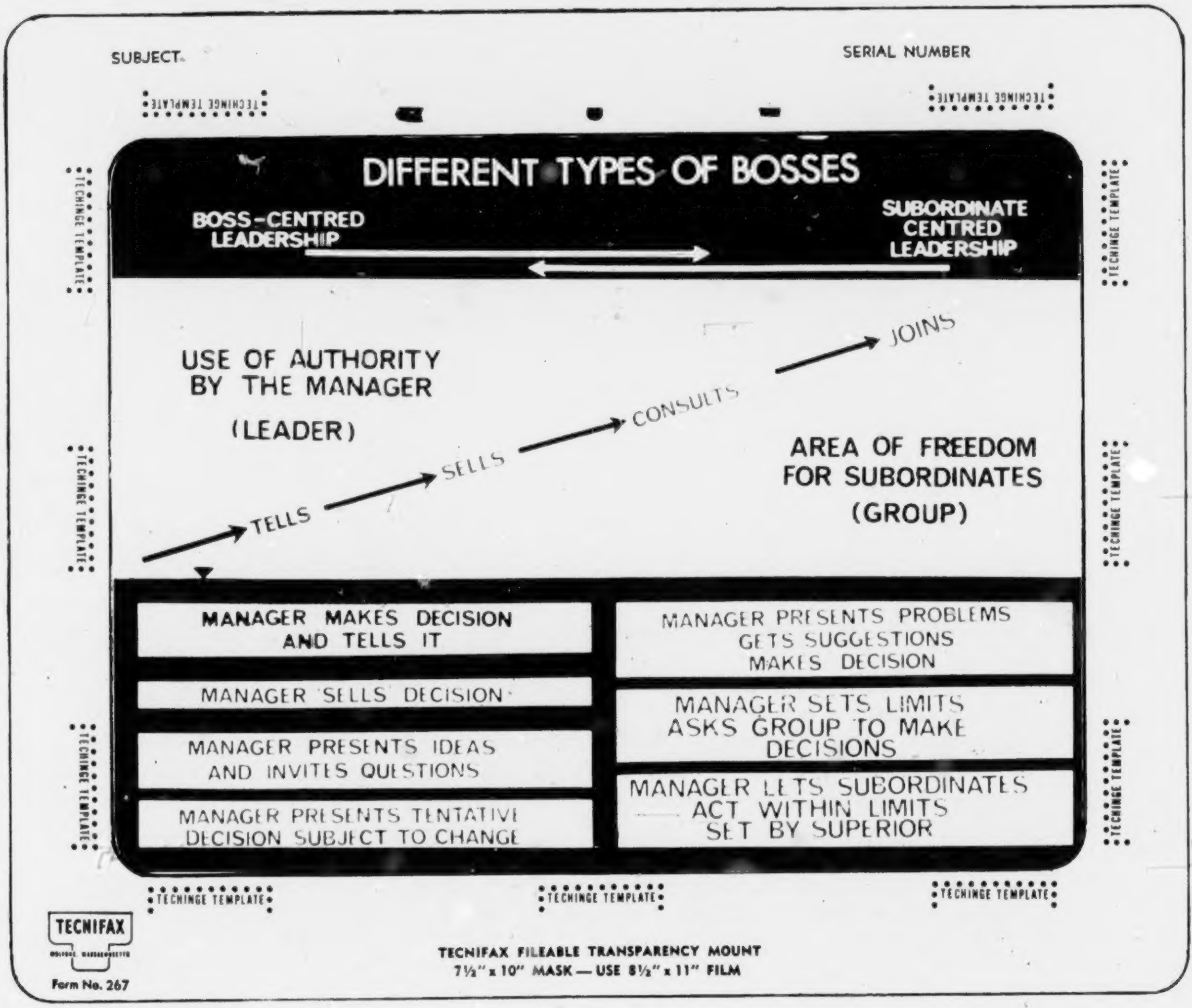
8. Point out: "You have seen that there are different ways that a leader behaves in regard to supervision and discipline. You have also seen that the way a boss behaves, or the style of leadership he uses, affects the workers participation. Now have you decided on what style of boss you are going to be?"

   Discuss by asking each student to express how he feels he will behave towards his employees. Encourage them to talk about how they think their behaviour as a boss will affect employee morale and work quality.

Indicator

9. Group discussion.

PM3-2 DIFFERENT TYPES OF BOSSES



SUBJECT

SERIAL NUMBER

DIFFERENT TYPES OF BOSSES

BOSS-CENTRED LEADERSHIP

SUBORDINATE CENTRED LEADERSHIP

USE OF AUTHORITY BY THE MANAGER
(LEADER)

TELLS → SELLS → CONSULTS → JOINS

AREA OF FREEDOM FOR SUBORDINATES
(GROUP)

MANAGER MAKES DECISION AND TELLS IT

MANAGER 'SELLS' DECISION

MANAGER PRESENTS IDEAS AND INVITES QUESTIONS

MANAGER PRESENTS TENTATIVE DECISION SUBJECT TO CHANGE

MANAGER PRESENTS PROBLEMS GETS SUGGESTIONS MAKES DECISION

MANAGER SETS LIMITS ASKS GROUP TO MAKE DECISIONS

MANAGER LETS SUBORDINATES ACT WITHIN LIMITS SET BY SUPERIOR

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OBJECTIVE 2: THE STUDENTS WILL ANALYZE THE ASSUMPTIONS THAT UNDERLIE THE VARIOUS STYLES OF LEADERSHIP.

Stimulus

1. Hand out Case PM3-2, "Two Ways to See Workers", and read over with the group.

Clarify Problem

2. Discuss questions at end of case.

   a. "Who do you think is right, Boss X or Boss Y?"

      Students will likely choose Boss Y, but you should ask: "Are some of the things Boss X says true? Are some of the things Boss Y says untrue?"

   b. "What name can you give to each type of Boss?"

      Have the students list the ways that Boss X and Boss Y see workers. For example:

BOSS X	BOSS Y
Workers are naturally lazy.	Workers like to work.
They don't like to work.	They are proud.
They have to be forced to work.	They can think on their own.
They can't think for themselves.	They like responsibility.
They can't be trusted.	They can be trusted.

Point out that Boss X and Boss Y have different assumptions about workers and human nature. Ask the students to analyze their assumptions.

Now ask: "What assumptions will you make about your workers?" "Is there a difference in the way workers want to be bossed?" "Are there some situations where the style of Boss X is best? Where the style of Boss Y is best?"

Provide Information

3. Read Section 2 of the Readings.

2. Leader's Attitude Affects Workers

Another factor which a boss should consider before he decides on a style of leadership is that his actions will affect those of workers. Anyone who acts as a leader must realize that his feelings show. A boss must analyze his feelings towards his workers; his attitudes, even if not spoken aloud, can sometimes have a greater effect than his words.

Very often, workers will behave as the boss expects them to behave. For instance, if you think workers know what to do and can be trusted to do their work, then they will probably act intelligently, take on responsibility and do their jobs well. If, however, you think that workers do not know what to do and will slack off on their jobs, then that's the way they will probably act.

The way you behave and think as a boss has a great affect on the way your workers feel and work. This is true no matter which style of leadership you choose to adopt.

Indicator

4. Group discussion.

OBJECTIVE 3: THE STUDENTS WILL CONSIDER THE STYLE OF LEADERSHIP WHICH THEY WILL ADOPT.

NOTE: Here we would like students to evaluate themselves as leaders. Hopefully they will analyze the assumptions that they make about human nature in general, and workers in particular. We would like to have the students realize that their style of leadership (the assumptions they make about people) will have a tremendous effect on how their workers will feel and work. A good leader thinks about how others see him and about how his actions affect others. We don't want to suggest that there is one best style of supervision. Let the students come to their own conclusions.

Stimulus

1. Read the third objective to the students.

2. Show the videotape, "Late for Work".

Clarify Problem

3. Ask: "Do you think the boss handled the lateness problem properly?" How would you have handled things if you were the boss?" Discuss.

4. In addition to (or instead of) the film, you may have students role-play some of the following situations before a videotape:

   a. coming to work late
   b. smoking where they shouldn't
   c. pay disagreement between worker and boss
   d. worker wants an advance on his pay
   e. worker breaks equipment.

   After each situation play the tape back and analyze it. Ask students not in the role-play: "How would you have handled things if you were the boss?" Discuss.

Provide Information

5. Read Section 3 of the Readings with the group. Be sure to refer back to previous cases when discussing Readings.

3. What Kind of Leader Will You Be?

As a leader, you will have to decide how to treat your workers in many situations. Some of these are:

a. missing work
b. arriving at work late
c. working too slowly
d. doing work of poor quality
e. breaking equipment
f. fighting among themselves

How will you deal with situations such as these? Will you be able to see things from the workers point of view? Will you treat all workers the same or each one differently? Will you be fair?

> Being a leader can be very challenging. You will have many responsibilities, some of them unpleasant ones. But there are many satisfactions in doing a good job as a leader - your workers will work well, be satisfied and respect you.

6. Show some or all of the following films depending on the interest of the group; don't bore them.

   "Supervising Workers on the Job" (10 minutes)
   "Supervisor as a Leader, Part I" (14 minutes)
   "Supervisor as a Leader, Part II" (13 minutes)
   "Styles of Leadership" (26 minutes)
   "How Good Is a Good Guy?" (10 minutes)

   a. "Supervising Workers on the Job"

      (1) Summary of Film
      Setting is a shop in a fairly big business. Film shows the kind of jobs a supervisor has to do in handling workers and shows how experienced supervisors handle certain situations.

         (a) how a young supervisor handles older workers

         (b) how a supervisor handles young, untrained workers

         (c) how some supervisors write everything down in their black books (SNOOPervise).

      (2) Questions for Discussion

         (a) Does every worker have to be treated differently? Should the boss try to treat each worker as an individual?

         (b) Do you think a boss should SNOOPervise? Breathe down the workers' necks?

   b. "Supervisor as a Leader - Part I"

      (1) Summary of Film
      Setting is in a shop of a fairly big business. The film discusses the qualities of a good leader from the workers point of view. The film shows several situations:

(a) A foreman fails to keep his word to a worker.

(b) A boss takes credit for a new idea suggested by the workers.

(c) A worker quits his job because a new machine is brought in and the foreman hires a friend to run the machine.

(d) A boss weasels out of a pinch by blaming another worker; he refuses to admit his own mistake.

(2) Questions for Discussion

(a) "Can you list the qualities workers think a boss should have?"

(1) always keeps promises
(2) never takes credit for another's work
(3) doesn't pass the buck
(4) doesn't play favourites

(b) "Do you agree that these qualities are important? Can you list other qualities a good boss should have?" Discuss.

c. "Supervisor as a Leader - Part II"

(1) Summary of Film
Setting is shop of a fairly large business. The film shows the leadership qualities that supervisors themselves think they should have. Several situations show that:

(a) a good leader takes his responsibilities in stride;

(b) a real leader isn't afraid to give credit to his workers; to let them know when they do a good job;

(c) a good supervisor has to keep cool and not blow his lid. He had to learn to control himself if he expects to get the respect of his workers;

(d) a good supervisor has to have loyalty to the management as well as to the workers.

(2) Questions for Discussion

(a) "Can you list the qualities the supervisors think a good boss should have?"

- ability to praise workers when they do a good job
- good self control
- loyalty to workers
- loyalty to management

(b) "Is it important for the boss to have technical ability? Should he know how to do the work that the workers are doing?" For instance: "Is it important for a carpenter foreman to also be a good carpenter?

(c) "Is it important for a boss to have human relations ability? Should the boss know how to handle people?"

(d) "Which do you think is more important for a boss to have, technical ability or human relations ability? Or should he have both?"

d. "How Good is a Good Guy?"

(1) Summary of Film
The purpose of this film is to help supervisors understand their responsibilities. It shows the problems that arise when a new boss is more concerned about his own needs than with the needs of his workers.

(2) Questions for Discussion

(a) "Why does a new boss have so much trouble?"

- he hasn't had experience as a boss
- he is nervous
- he may be bossing some of his friends
- he may try to please everybody.

7. Read Section 4.

4. Summary

In this lesson you have seen that there are many different styles of being a leader; each may have its place according to the circumstances. You have seen also that there are different kinds of workers who require different styles of leadership. Some workers need closer supervision and firmer discipline than others.

PM3

> The manager of a business must be flexible in his approach to the workers from the points of view of supervision, discipline and participation. A good leader can usually get the best results from his workers and provide them with the most satisfaction for their needs and wants. A good leader sees each employee as an individual human being.

Indicator

8. Group discussion.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM3 DIFFERENT TYPES OF LEADERS

CASE PM3 - 1

DIFFERENT TYPES OF BOSSES

A road construction crew was building a road in the eastern part of the province. At night the men would all go to the local beer parlor to wash down the dust with a few bottles of beer.

One night they were talking about their boss, Dick Smith. Here is what some of them had to say:

Alex: "Dick is a better boss than the one I had on my last job. My last boss just barked out orders and didn't let us do any thinking on our own. He sure was miserable. Dick doesn't bark out orders, he lets us decide how to do a job after we have talked over the work with him."

Bill: "Yes, but Dick is tough compared to one boss I had two years ago. That guy was so soft he let the workers do whatever they wanted. None of us did much work on that job. That's no good, you know. The boss shouldn't be too soft. I think Dick is about right."

Old Archie: "I've worked on about fifty different gangs and every boss I've had is a little different. I've had some tough, miserable bosses and some real soft "wishy washy", useless bosses. I'd say Dick is about half way between. He doesn't just tell people what to do and that's it. He asks the worker what he thinks. Sometimes a worker has a job figured out better than the boss. Dick will listen to the worker's suggestions. He's a good boss, I figure. He doesn't let the boys walk all over him. He's just right. Not too hard and not too soft."

PM3

Questions for Discussion

1. What are the different types of bosses talked about in this case? What name can you use to describe each type of boss?

2. What kind of bosses have you had?

SUBJECT PERSONNEL MANAGEMENT

LESSON PM3 DIFFERENT TYPES OF LEADERS

CASE PM3 - 2

TWO WAYS TO SEE WORKERS

Two supervisors, Boss X and Boss Y, are talking. Each boss is giving his ideas on how he sees workers. Their conversation:

Boss X: "You know, I've been a boss for eleven years. I've had a lot of different guys working for me. I've learned a few things about workers:

Workers are naturally lazy. They don't like to work.

You have to force them to work.

You have to tell them every little thing, they can't think for themselves.

You have to watch them all the time. You can't trust them.

Yes sir, that's what I've learned about workers. Nobody can tell me differently."

Boss Y: (To Boss X). "I don't think you're right. I've been a boss for a long time too. People aren't as you say. Boy, I'd sure hate to work for you if that's the way you see workers. You've got it all wrong. This is how I see workers:

Workers aren't lazy. They get a lot of satisfaction out of work.

They don't have to be forced to work. Most of them take pride in doing a good job, and can think things out for themselves.

PM3

You shouldn't watch workers too closely because they like to take responsibility. They work better if the boss doesn't breathe down their necks. You can trust them.

Questions for Discussion

1. Who do you think is right, Boss X or Boss Y?

2. What name can you give to each type of boss? List the ways each boss sees workers.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM4 MORALE IN YOUR BUSINESS

INSTRUCTOR'S GUIDE

OVERVIEW

This lesson consists of a general discussion of morale. Possibly the best way to handle this lesson will be to encourage the students to look at the present level of morale in their own group. The instructor should ask individual students to volunteer their personal experiences throughout the discussions.

It is important that the instructor read the reference material, "Managing for Better Morale" by M.M. Bruce, before giving the lesson.

OBJECTIVES

1. The student will learn the meaning of morale.
2. The student will learn what makes up morale and the importance of morale.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Bruce, M.M. "Human Relations in Business". Small Business Management Series No. 3, Washington: Small Business Administration, 1969.
2. Bruce, M.M. "Managing for Better Morale". Small Marketers Aids Annual No. 4, Washington: Small Business Administration, 1962.

RESOURCES REQUIRED

1. Two flip charts.
2. Blank sheets of paper for each student.
3. Filmstrip and record: "The Power of Store Morale". Merchandiser Film Production, 419 Park Avenue South, New York, N.Y. 10016.

METHODOLOGY

1. Do not hand out Readings at this point.

OBJECTIVE: THE STUDENTS WILL LEARN THE MEANING OF MORALE.

Stimulus

2. Ask students: "Is the morale of this group high or low?" ENCOURAGE all the students to take part in this open discussion.

Clarify Problem

3. Ask: "What do you think the word morale means?" Have one of the students list the various suggestions on the flip chart.

   EMPHASIZE that morale is a word with many meanings, for example:

   a. the absence of conflict
   b. a feeling of happiness
   c. a feeling of self-respect
   d. the "we" feeling of a group of people.

Provide Information

4. Hand out Readings and go over Purpose, Introduction and Section 1.

PURPOSE

In this lesson you will discuss what morale is, consider why you should know something about morale in your business, and learn some ways to improve the morale of your workers.

INTRODUCTION

There seems to be little doubt that workers with high morale will perform more and better work than will workers with low morale. As a manager or owner-manager, you will want high morale and good work in your business; indeed, very often the success of a small business depends on the morale of its workers.

Although you will learn in this lesson the factors which make up morale, you will find when operating your own business that it is difficult to generalize about improving morale. The needs of the workers and of the business must be considered.

CONTENT

1. What Does Morale Mean?

The word morale has been used in many different ways. For our purposes we can say that morale is a feeling or an attitude that people have about something. Therefore, employee morale is really the feelings and attitudes of your workers toward you, the other workers, the working conditions, and the business in general.

REFER back to lesson PM1, "Why People Work" and relate the basic needs idea to morale (example, morale is closely tied to the needs of workers. If all the workers' needs are satisfied, their morale will be high. If many of their needs are not satisfied, their morale will be low.)

Indicator

5. Group discussion.

OBJECTIVE 2: THE STUDENTS WILL LEARN WHAT MAKES UP MORALE AND THE IMPORTANCE OF MORALE.

Stimulus

1. Hand out a blank sheet of paper to each student. Ask the students to think of some situation they know of where they thought the morale was high or low. Ask each student to write down their reasons as to why they thought the morale was low or high.

Clarify Problem

2. a. Have one student go to each flip chart while the other students read their reasons for high or low morale.

   b. List the reasons given for low morale on flip chart #1, and for high morale on flip chart #2.

HELP the group avoid re-writing those reasons that are obviously similar to one of those already listed on the flip chart. (Put a check mark beside the reason on the flip chart for each subsequent similar reason).

Provide Information

3. Discuss Section 2. a of the Readings.

> 2. What Makes Up Morale?
>
> There are many things that make up the morale of workers on a job. When you look at the following, think back to when you were working and see if you can think of some examples.
>
> a. How the workers feel toward the job itself. For example morale will be higher if the job has:
>
> (1) security (from being laid off or fired)
> (2) interest (work interesting, not boring)
> (3) good wages
> (4) good supervision
> (5) social contacts (friendly people to work with)
> (6) chances for getting ahead.

4. Below are additional examples of factors which increase morale. Discuss these with the group following the reading and discussion of Section 2.

   a. appreciation (the job is important)

   b. social aspects of the job (most people like to work with or near other people rather than alone)

   c. working conditions (should be good, for example: clean, comfortable and safe)

   d. communications (workers want to know what is going on)

e. hours (working long hours or having to work hours at certain times of the day or week can cause poor morale)

f. ease (the job must not be so easy that it is boring but if it is too hard then morale may be low)

g. benefits (fringe benefits like rest periods, getting off early, gifts, etc., help raise morale)

5. Read and discuss Section 2. b of the Readings. Ask students to volunteer personal experiences.

b. How the workers feel toward the boss and the business. Morale will be higher if the workers feel that the boss is fair in his dealings with them and flexible about supervision, discipline and participation; and if the business as a whole is productive and successful.

It is said that morale is

(1) the degree to which an individual's needs are satisfied

(2) the extent to which the individual thinks that this satisfaction comes from his total job situation.

Therefore, high morale will exist when the total job satisfies the many needs of the worker.

6. Try to get the students thinking about the effects of employee morale on the business as a whole. For example: low morale of employees may cause a decrease in the number of customers you have.

High morale of employees may cause an increase in the number of customers you have.

7. Read and discuss Sections 3, 4 and 5 of the Readings.

3. How Does Your Style of Leadership Affect Worker Morale?

The kind of boss you are will have a lot to do with whether the morale in your business is high or low. For example, what will worker morale be like:

a. If you are a tough dictator-type boss? (For example: you think that workers have to be told what to do.)

b. If you are an in-betweener type boss? (For example: you think workers need some help.)

c. If you are a soft, easy-going boss? (For example: you think people do not need any help at all.)

When you are a leader you must realize that your feelings and attitudes will show, and will affect the morale and work of your employees.

Actually, the style of leadership (the way the boss acts and feels toward workers) and worker morale (the way the workers act and feel toward the job and the boss) are very closely connected. Leadership style has a big effect on worker morale.

4. Some Ways You Can Build High Morale

Sometimes the manager does not know why his workers have low morale. Some managers do not even care if morale is low. However, if you, as an owner-manager, want to raise the level of morale in your business, how can you do it?

This is a very difficult question to answer. Every company is different, and no two people are alike. So if you make some change with the idea of building morale, you cannot be sure all workers will be affected the same way.

Some ways that you, as a boss, can build morale are:

a. Tell and show the workers that you are interested in them and would be glad to have their ideas on how things might be improved;

b. Treat your workers as human beings; never deal with them as if they were machines;

c. Upgrade your understanding of human nature;

d. Accept the fact that others may not see things the same way as you do;

e. Communicate to the workers. Give them full information on things that affect their jobs. Good communication cuts down on rumours which can hurt morale;

f. Try to make the jobs interesting;

g. Promote people from within rather than bringing in an outsider whenever qualified people are available in the business;

h. Give workers praise when they do a good job. Do not take all the credit yourself;

i. Offer criticism privately, not in front of fellow workers. Give workers some helpful suggestions on how to improve, and point out things they do well;

j. Think about the people involved, not just work;

k. Be fair, honest, trustworthy, etc.

5. Summary

High morale among the workers of your business is important to your chances of success. Workers with high morale - that is, workers who have good feeling toward you, their fellow workers, their working conditions and the business - are more interested in and satisfied with their jobs. This makes them more productive, which benefits your business.

There are no hard and fast rules for improving morale; you have to look at the situation very carefully from many viewpoints before you can make a plan that will satisfy the needs of your workers and the business.

Indicator

8. Students should have progressed in their business project. Have them analyze the morale within these work groups. Ask: "What could be done to improve morale?"

9. As an alternative, have the students brainstorm ideas on how the class morale could be improved.

This may provide you with insight into what the students want or feel about morale in the class, and may encourage better morale due to your interest in class morale.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM5 ESTABLISHING THE NEED FOR NEW EMPLOYEES

INSTRUCTOR'S GUIDE

OVERVIEW

Labour costs are usually one of the higher costs in any business operation. The more one can control these costs, the better the profit picture will be. It is quite common for a manager to look to additional employees as an easy answer to the overworked employee or to slow service. However, as this lesson will show, the answer may not always be more employees; in certain cases, it could make the situation worse.

Establishing the need for new employees prior to hiring can be a very beneficial exercise since it is often an opportunity to carefully look at the business. It is also important since it is an expense which, through careful management, can be controlled.

OBJECTIVE

The student will be able to discuss the factors which he should consider before hiring new employees.

RESOURCES REQUIRED

1. Projectual PM5-1, "We Need More Employees"
2. Case PM5-1, "Bill Kelp Needs Help".

METHODOLOGY

1. Do not hand out Readings. The lesson attempts to have students discover part of the material through group discussion.

2. Read Purpose and Introduction.

PURPOSE

The purpose of this lesson is to show the necessity of examining your business before hiring new employees, to see if you actually need additional help. That is, before you hire help, be sure you need them.

INTRODUCTION

In future lessons you will discuss the best methods of hiring and managing employees. Before hiring anybody, you should take a close look at your business to see if you really need that help. Sometimes a business falls into sloppy ways of doing things or lets the equipment get run down. It may be that these things need improving, not that the business needs more help.

OBJECTIVE: THE STUDENT WILL BE ABLE TO DISCUSS THE FACTORS WHICH HE SHOULD CONSIDER BEFORE HIRING NEW EMPLOYEES.

Stimulus

3. Show Projectual PM5-1, "We Need More Employees".

Clarify Problem

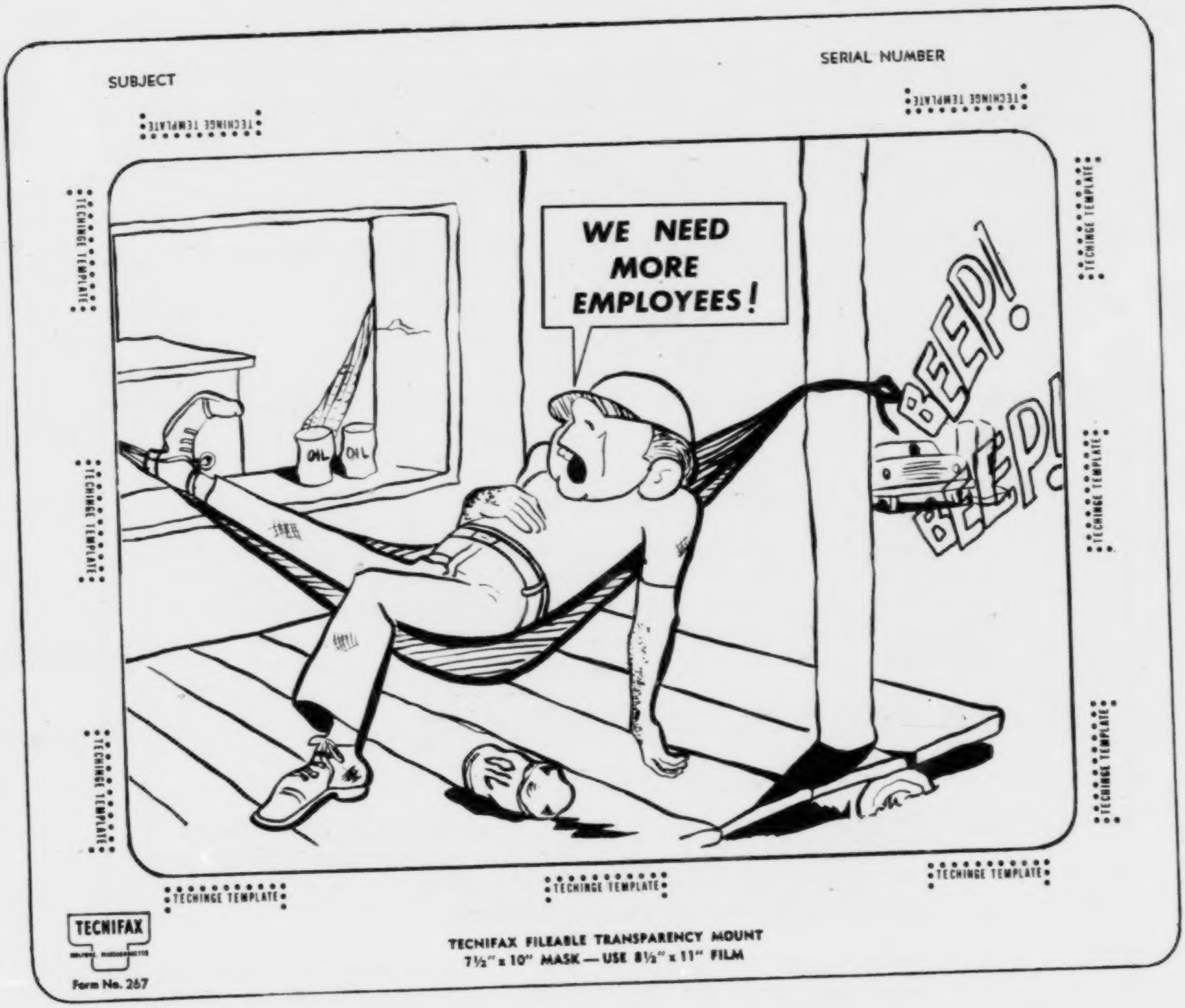
4. Discuss the projectual. Discussion should raise a number of questions, for example:

    a. "If you have a business and are unable to keep up with the work, is hiring more help the only solution?"

    b. "What kinds of problems could a business have to cause a backlog of work?" Some problems you might probe for:

PM5

PM5-1 WE NEED MORE EMPLOYEES


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
WE NEED MORE EMPLOYEES!
BEEP!
BEEP!
OIL
OIL
OIL
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

(1) inefficiency of present workers
(2) poor work methods
(3) faulty equipment
(4) poor morale.

c. Ask students to think of instances they have seen of poor service due to inefficiency, where hiring more help would not cure the problem. Use flip chart to list.

Provide Information

5. Hand out case PM5-1, "Bill Kelp Needs Help" and read. This is an information type of case and should provide more discussion. Discuss the case. Encourage students to analyze Bill Kelp's situation (by answering the questions) and listing inefficiencies in his business. Then discuss how each inefficiency was removed.

6. Hand out Readings. Go over Readings with the group, pausing for questions or discussion where needed.

7. Read Sections 1, 2, and 3 of Readings.

CONTENT

1. Is There a Need For New Employees?

When the workload gets too heavy, it is natural for both the employer and workers to say, "We need more help." Sometimes hiring more help actually makes things worse. That is why it is important to take a good look at the problem.

2. What Should An Employer Look For?

Before hiring more help you should look at:

a. Efficiency - are the present employees working effectively and well? Do they stand or sit around a lot? Is there much visiting and fooling around? If so, new employees will not solve the problem.

b. Space - are three people working in an area intended for one? Are they getting in each other's way? If so hiring will not increase output.

c. Equipment - does equipment break down a lot? Is half the time of employees spent fixing it? If so, hiring more help will only mean more people standing around waiting for repairs to be made.

d. Layout - in a store, are the counters arranged so there is a smooth flow of merchandise and customers? In a garage, are the various bays arranged for a smooth flow of cars, without congestion or confusion? If not, hiring more employees will not help the situation.

e. Housekeeping - is your business tidy? In your store, are cardboard boxes and odd bits of merchandise lying around the floor for people to trip over? Is your warehouse planned so you can easily find a certain case of goods? Or do you have to move a whole pile of goods to find what you want? In your garage, are your tools scattered all over so you cannot find them? Are tools and parts lying on the floor so you trip over them? Is grease on the floor to slip on? You may be busy, but hiring more help will only make more confusion.

f. Morale - are your present employees happy? Are they working well together or are they fighting with each other? Hiring more help may mean more unhappy people.

g. Wages - can you afford to hire more help? Will the new help pay for themselves?

3. Summary

Before hiring new employees, it is a good idea to have a look at your business. It may be that you need new equipment, a better layout, better housekeeping, more efficiency or better morale, rather than more employees. Only if you have all these and your business is in good shape should you start looking for more help.

Indicator

8. Have students take one or two businesses they know and analyze whether more employees might provide better service; observe whether they consider the factors suggested in the lesson as possible improvements before they commit themselves to an answer.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM5 ESTABLISHING THE NEED FOR NEW EMPLOYEES

CASE PM5 - 1

BILL KELP NEEDS HELP

Bill Kelp realized he would have to hire another clerk for his store, but it worried him. His three clerks were good workers and he put in a long day himself. Yet they could not seem to catch up on the work.

What bothered him was that salary costs at 10% of sales were already too high. Hiring another clerk would raise this to 11.5%.

Bill decided to have a talk with Ed Powers on his next trip around. Ed was salesman for Miller's Wholesale and knew a lot about business. Ed never offered advice but was quite willing to discuss a problem when you asked him.

When Ed came on his next trip Bill told him his problem. The conversation went like this:

ED: "As a general rule, Bill, never hire help until you have had a good look at your business operation. When your business is as efficient as possible, then, and only then, should you hire more help. I have noticed that you are not making good use of your workers but I did not want to say anything. Now that you have asked --- "

BILL: "Go ahead, I want to know."

ED: "Well, to start with there is Susan, your cashier. She does a lot of visiting with the customers."

BILL: "Susan is popular with the customers. People like her and I do not like to say anything."

ED: "Susan is a fine girl and I am sure she means well but she is wasting a lot of time. You should have a friendly talk with her. Tell her what you told me. Be frank about the labour costs and how it worries you. It is all right for her to visit for a minute or two when she has finished serving a customer but then she should excuse herself and, if there are no other customers at the checkout counter, she should be dusting, cleaning, arranging merchandise or whatever needs to be done."

BILL: "You have a point there."

ED: "Let us take a walk around the store."

They went to the back of the store and stopped in the weighing room.

ED: "You still do a lot of your own packaging?"

BILL: "Yes, beans, sugar, dried fruit and so on comes two, three cents a pound cheaper in bulk. Used to put it up in my spare time when I first started the store and business was slow.

ED: "Well, that was fine when you and your clerks had time to spare, but it is the other way around now. I think you should have the clerks keep a record of the time it takes to weigh and package a case of each product. Maybe you are losing money."

They next went down the basement where they found George, the head clerk with his hands covered with oil.

BILL: "What is the problem, George?"

GEORGE: "The oil line to the furnace was plugged again. I just fixed it. But the pressure system is not working either. Between the two I seem to be spending half my time down here."

BILL: "The equipment is getting old."

They went up and out the back door where they passed Jim, the young clerk. Jim was carrying a case of canned goods, sweating and breathing hard.

ED: "Where did he bring that from?"

BILL: "From the shed over there. We used to have enough room in the store warehouse, then it got crowded and we put the overflow in the shed. Now we seem to be using the shed all the time.

ED: "And the merchandise has to be carried down the shed steps, up the store steps and into the store? You cannot even use the trolley."

BILL: "No, it is not a good arrangement, but we thought of it as temporary and then it became permanent."

They went back to the office.

BILL: "You have started me thinking about things. You know Ed, these problems get bigger all the time and I did not realize they were happening."

ED: "What would it cost to build a new unheated warehouse onto the back of the store on the same floor level, with a connecting door?"

BILL: "Well, it depends on the size, but one plenty big enough, say 20' x 24', would cost maybe $1,000.00."

ED: "And what would a new furnace and pressure system cost?"

BILL: "Another $1,000.00 perhaps."

ED: "And if you ripped out the weighing room and turned it into floor space, what would that cost?"

BILL: "A carpenter could rip out those walls in two hours. Making shelves and painting would take longer. Cost would be, say, $200.00. And we could really do with the extra space."

ED: "O.K. That makes a total of $2,200.00. Now what would a clerk cost?"

BILL: "Oh, I could get a trainee for about $250.00 a month."

ED: "So, if you make the improvements instead of hiring a clerk you would have it paid for in less than a year."

BILL: "And my staff would be happier and so would I."

ED: "Bill, I would like to make a little bet. I will bet if you make those improvements, before a year is up you will still hire that clerk. But it will be because sales are up and you *really* need him. Furthermore, your store will be able to afford it."

Questions for Discussion

1. What inefficiencies did Bill Kelp have in his business? List them.
2. How was each inefficiency removed?

SUBJECT PERSONNEL MANAGEMENT

LESSON PM6 THE SEARCH FOR NEW EMPLOYEES

INSTRUCTOR'S GUIDE

OVERVIEW

In the previous lesson the discussion centred on establishing the need for employees. If after checking, a manager finds that a new employee is needed, it is important that the right person be selected for the job.

It is only too common to find that recruitment for a new job is inadequate. This can be costly and very frustrating. It is often easier to hire than it is to fire, especially if you know the person well or if he is a relative. This lesson looks at the area of recruitment or searching for new employees so they can be a productive addition to the business.

OBJECTIVES

1. The students will be aware of the need for job design.
2. The students will consider available sources of new employees.

REFERENCE MATERIAL FOR INSTRUCTOR

The following booklets and pamphlets from Small Business Administration, Washington:

1. Loen, Ernest L. "Personnel Management Guides for Small Business". Small Business Management. Series No. 26, Washington: Small Business Administration, 1961.

2. Matching the Applicant and the Job; Management, aids No. 185.
3. Hiring the Right Men; Small Marketers, aids No. 136.
4. Finding and Hiring the Right Employee; Small Marketers, aids No. 106.

RESOURCES REQUIRED

1. Case PM6-1, "Hiring the Right Man"
2. "Help Wanted" section of newspaper.

METHODOLOGY

1. Hand out Readings, and read Purpose and Introduction.

PURPOSE

The purpose of this lesson is to consider the steps that you would take in looking for new employees. These steps are:

1. Deciding what kind of work needs to be done
2. Deciding what sort of person would fill the job
3. Deciding where workers can be found.

INTRODUCTION

In lesson PM2 we discussed the many jobs involved in managing people. One of these jobs was finding new employees. Before you can start looking for a new employee, you have to decide what kind of employee will best fit the job.

OBJECTIVE 1: THE STUDENTS WILL BE AWARE OF THE NEED FOR JOB DESIGN.

Stimulus

2. Hand out Case PM6-1, "Hiring the Right Man", and read over with students.

Clarify Problem

3. Ask: "Who was at fault in this case? What should he have done?"

Provide Information

4. Read Section 1 of the Readings.

CONTENT

1. Job Design - What Kind of Work Needs to be Done?

If your employees and equipment are working efficiently and are not able to handle the workload, you may decide to hire more help. The first question is to decide what has to be done; what tasks will be involved in the job. This process is called job design, and it must be done before you can tell what kind of worker you need. For instance, if the job is selling women's and children's goods, you may decide that a diplomatic, patient, older woman would be best for the job. If the job is piling cases of goods in a warehouse, you may decide to hire a strong young man.

In other words, the kind of work to be done (how the job is designed) will tell you what kind of worker you need.

Example 1
The job opening is cashier at the check-out counter in a grocery store. What sort of person would you look for to fill the job?

Example 2
The job opening is truck driver on a gravelling contract. What sort of person would you look for to fill the job?

5. Have the group discuss:

   a. The qualifications of a cashier
   b. The qualifications of a truck driver.

   List both on the flip chart.

6. Summarize objective 1. Refer back to the case, "Hiring the Right Man". Discuss the three steps shown in this case. Point out that step 1 is "Job Design". The case shows what happens if this step is omitted.

Indicator

7. Discussion by group.

OBJECTIVE 2: THE STUDENTS WILL CONSIDER AVAILABLE SOURCES OF NEW EMPLOYEES.

Stimulus

1. Ask: "If you were a storekeeper in a small community where many of the residents were related to you, would you hire a relative for a store clerk, or would you hire a stranger?"

Clarify Problem

2. Discuss the above question.

Provide Information

3. Read Sections 2 and 3 of the Readings. Encourage discussion.

2. Where Can New Employees Be Found?

Having decided exactly what work is to be done and what kind of person you need to fit the job, you are ready to find a new employee.

What are the sources of new employees?

a. Friends and Relatives

(1) What are the advantages of hiring a friend or close relative?

(2) What are the disadvantages?

(3) Should you hire a person whom you might be afraid to fire?

(4) Should you hire a local person, or somebody from outside the community?

b. Advertising

In a small community a job opening can be advertised by:

(1) word of mouth
(2) notice in a public place
(3) ad in the local (or nearest) newspaper.

c. Employment Agencies
In a larger community, help in recruiting can be obtained from the Manpower Centre or from employment agencies.

3. Summary

It is important that you look closely at the work to be done so that you can decide on the sort of person best suited for the job.

Friends and relatives may expect to get first chance at any new job, and may be offended if you hire an outsider. Hiring a friend or relative may have advantages in that you know and trust the person.

Indicator

4. Have students make up a newspaper ad for one of the following: (Show them "help wanted" section of local newspaper).

   a. service station attendant
   b. waitress in a coffee shop
   c. fuel oil delivery man
   d. store clerk (does cashier work and also warehouse work).

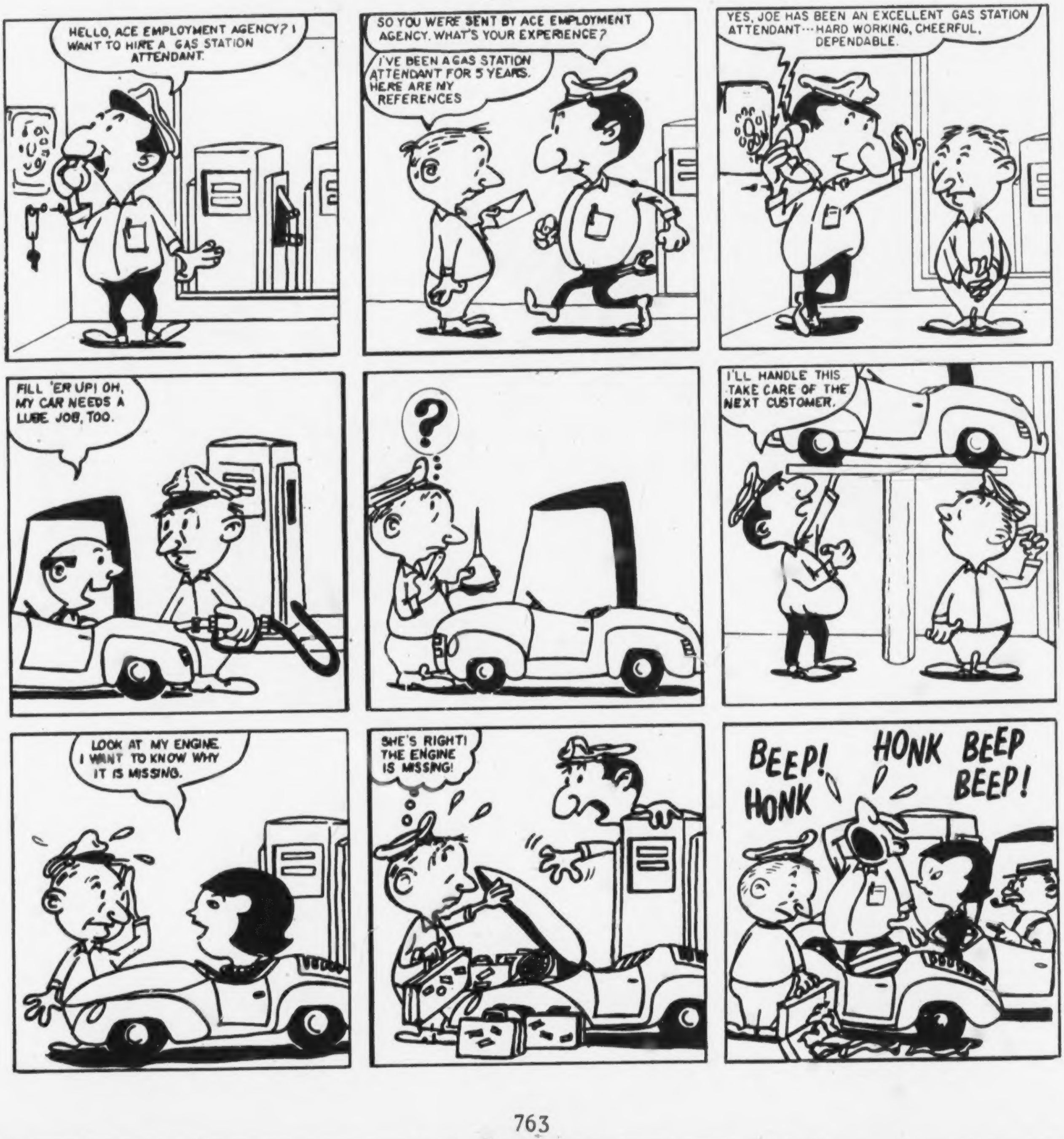
5. Discuss with students: In many small communities there are strong family groups which influence community opinion. In some communities most of the population are related to each other. These factors should be considered in hiring. If you hire a member of one of the strong families in the community and he turns out to be a poor employee, you may have trouble. If you do not hire one of these people when you have a job opening, you may also have problems. This is the topic of the next lesson.

SUBJECT PERSONNEL MANAGEMENT

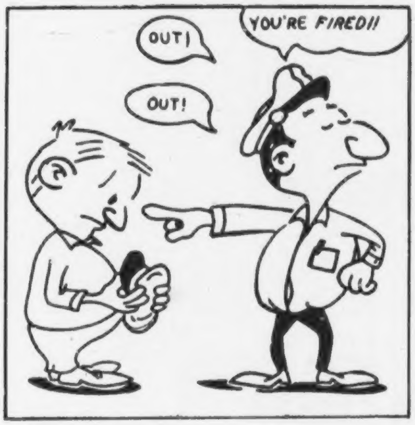
LESSON PM6 THE SEARCH FOR NEW EMPLOYEES

HIRING THE RIGHT MAN

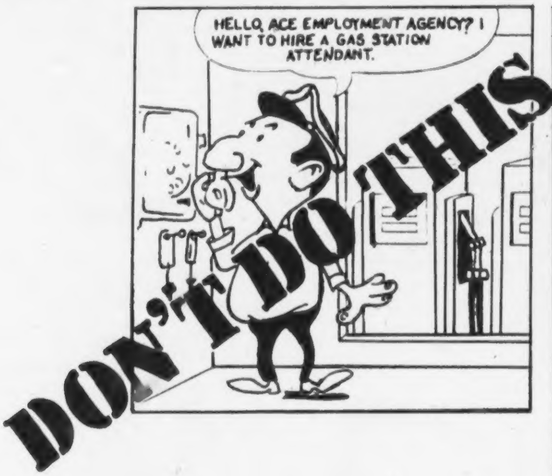
CASE PM6 - 1

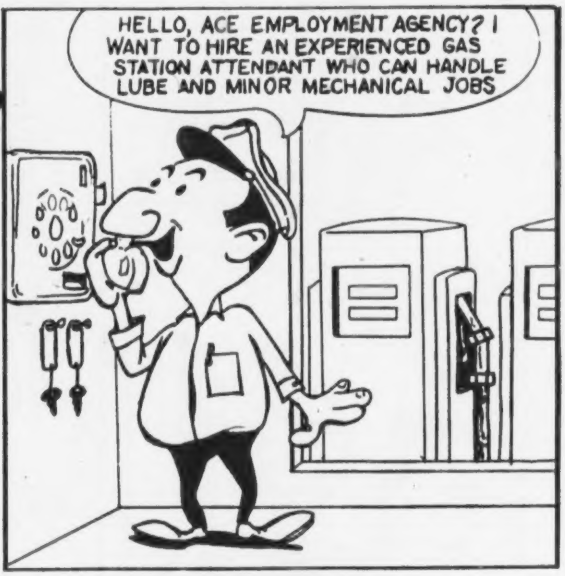

HELLO, ACE EMPLOYMENT AGENCY? I WANT TO HIRE A GAS STATION ATTENDANT.
SO YOU WERE SENT BY ACE EMPLOYMENT AGENCY. WHAT'S YOUR EXPERIENCE?
I'VE BEEN A GAS STATION ATTENDANT FOR 5 YEARS. HERE ARE MY REFERENCES
YES, JOE HAS BEEN AN EXCELLENT GAS STATION ATTENDANT··· HARD WORKING, CHEERFUL, DEPENDABLE.
FILL 'ER UP! OH, MY CAR NEEDS A LUBE JOB, TOO.
?
I'LL HANDLE THIS. TAKE CARE OF THE NEXT CUSTOMER.
LOOK AT MY ENGINE. I WANT TO KNOW WHY IT IS MISSING.
SHE'S RIGHT! THE ENGINE IS MISSING!
BEEP! HONK
HONK BEEP BEEP!

PM6


OUT!
OUT!
YOU'RE FIRED!!

1. KNOW WHAT YOU WANT NEW EMPLOYEE TO DO.
2. DECIDE WHAT SKILLS NEW EMPLOYEE WILL NEED TO DO THE JOBS YOU WANT HIM TO DO.
3. DON'T HIRE UNTIL YOU FIND AN EMPLOYEE WHO HAS THESE SKILLS.


HELLO, ACE EMPLOYMENT AGENCY? I WANT TO HIRE A GAS STATION ATTENDANT.
DON'T DO THIS


HELLO, ACE EMPLOYMENT AGENCY? I WANT TO HIRE AN EXPERIENCED GAS STATION ATTENDANT WHO CAN HANDLE LUBE AND MINOR MECHANICAL JOBS

DO THIS

SUBJECT PERSONNEL MANAGEMENT

LESSON PM7 SELECTING THE BEST MAN FOR THE JOB

INSTRUCTOR'S GUIDE

OVERVIEW

Once prospective employees are found, the best one must be selected. This is not always an easy job; many factors will affect a person's decision: the prospective employee's experience, personality, references as well as pressure from community, family or friends. This lesson will teach students the selection methods a manager might use in considering applicants for a job. The lesson also has the students consider the problem of pressures brought on by a relative applying for a job.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Elliott, John M."Employee Selection and Placement Methods for Small Plants". Management Aids for Small Business, Annual #1, Washington: Small Business Administration, 1958, pp. 144 - 157.

OBJECTIVE

Given a role-play situation, the students will be able to use various selection methods to handle the difficult problem of friends, relatives insisting on being hired.

RESOURCES REQUIRED

1. Case PM7-1, "Selecting the Best Man for the Job (Part I and Part II)".
2. Video equipment for role-play.
3. Flip chart.

METHODOLOGY

1. Do not hand out the Readings immediately. Read the Purpose and Introduction to the students.

PURPOSE

The purpose of this lesson is to show you how to select the best employee to fill a job vacancy, keeping in mind the conditions that exist in your community.

INTRODUCTION

As we saw in Lesson PM6, "The Search for New Employees", you have to decide what tasks are involved in the job before hiring an employee. Then you spread the word that you need a worker to fill the job.

If several people apply for the job, you need methods to select the best employee. The goal of selection is to match the employee with the job.

OBJECTIVE: GIVEN A ROLE-PLAY SITUATION, THE STUDENTS WILL BE ABLE TO USE VARIOUS SELECTION METHODS TO HANDLE THE DIFFICULT PROBLEM OF FRIENDS, RELATIVES INSISTING ON BEING HIRED.

Stimulus

2. Hand out Case PM7-1, "Selecting the Best Man for the Job (Part I)" and read it with the group.

Clarify Problem

3. Discuss the case, including the question at the end: "What should Ted Marlowe do to help him decide on which man to hire?" List suggestions on the flip chart.

Provide Information

4. Hand out the Readings. Read and discuss questions in Section 1 with the students.

CONTENT

1. Questions to Answer in Selecting the Best Employee for the Job

   a. Does the applicant have the required skills?
   b. How much training will he need?
   c. Will he get along with you and other workers?
   d. What experience does he have?
   e. Will he be dependable?
   f. Will he be able to handle the job?
   g. Will he get along in the community?

   There may be other questions you want answered, depending on the needs of your business and the conditions that exist in your community.

5. Read and discuss section 2, a. of the Readings.

2. Screening Applicants

   There are several ways to help you select the best employee for the job. Each method will aid in screening applicants, so it is a good idea to use as many as possible.

   a. Application Forms
      The first thing that you should do is ask the applicant to fill out an application form. This is valuable to you because:

      (1) it gives information about the applicant's past work experience, education, age, number of dependents, etc.;

      (2) it allows you to screen out applicants that are not qualified;

(3) if the applicant is hired, the application form becomes part of the new employee's record. If the applicant is not hired, the application can stay on file in case there is a future job opening for which the applicant is suited.

6. Hand out Part 2 of Case PM7-1. Read and discuss it with the group. The students may not agree on who to hire; this should stimulate discussion. It is not necessary to agree on which man is the right one to hire.

7. Raise the question of hiring relatives versus non-relatives, outsiders versus locals. Questions to be considered are:

   a. "How can Ted Marlowe turn down his nephew without offending his relatives?"

   b. "Would the community resent Arthur Towne being hired instead of Bill Best or Arnold Marlowe (both local men)?"

8. If, by this time, the various methods of selection have not been mentioned, ask and discuss:

   a. "Now that we have discussed applications, what other methods of selection can be used?"

   b. "Is interviewing necessary in all cases?"

   c. "Should references be checked?"

   d. "Are there any tests that can be applied to the applicant before he is hired?"

9. Read Sections 2, b, c, d and Section 3 of the Readings and discuss them as you go along.

b. Interviews
The second step is to interview those applicants who appear to be qualified. A personal interview will give you additional information to supplement the facts on the application form, and may help you decide on a worker who is not only qualified for the job, but also suited to the business and the community.

c. Checking References
Most application forms have a place where the applicant is asked to list references. A reference is:

(1) the name of person who knows the applicant well;
(2) the name of a former employer or company where the applicant has worked.

It is a good idea to check the applicant's references by letter, telephone or personal visit. Checking references is valuable because:

(1) you can find out what people think personally of the applicant;

(2) you can find out how good a worker the applicant has been in the past.

You should be careful in judging what the reference people say about the applicant because:

(1) they may not want to say anything bad about the applicant;
(2) the applicant may have listed only the references that he knew would say something favourable about him.

When checking references it is better to phone or visit personally than to write. A reference may tell you things in discussion which he would not want to put in writing. For instance, if you talk to the reference person he may say "He's a very good employee - but he has a drinking problem," or "He's a darn good man - but he has a habit of arguing with people". He may not want to write these things in a letter.

If the reference lives a long distance away, it may be necessary to write; this is better than not checking at all.

d. Tests

There are many tests you can use to help you decide if the applicant is the best employee for the job. As it is not always possible to give all the tests, you have to decide which tests are important to help you make your decision.

Some tests are:

(1) Skill Tests: some skills can be tested, for example: typing, mechanics, welding, etc.;

(2) Physical Examination: if good health is important, the applicant can be examined by a doctor;

(3) Mental Ability Tests (Psychological): if the job requires a certain level of mental ability, tests can be given to find out if the applicant has this ability. You must get outside help in the use and interpretation of these tests.

3. Making the Final Decision

We have looked at some ways of selecting the best employee for the job. Eventually a decision has to be made as to which employee to hire.

In making this decision, you should consider all the information you have collected from application forms, interviews, references and tests for each applicant.

Remember: The goal of selection is to match the employee with the job.

Offering an employee a job is an important decision. If you want to be very sure that you have the right employee, you can offer the applicant the job on a trial basis (probationary period). You will be able to judge how well the employee works and gets along with other workers before you hire him permanently.

10. Read and discuss Section 4 of the Readings.

4. Summary

Selecting the best employee for your business involves carefully matching the applicants with the job to be done. In order to do this, you must discover certain facts about the applicants and form an opinion about their suitability for the job. Application forms, personal interviews and tests can help you to make the best selection.

Indicator

11. Have students role-play a sequence to the Ted Marlowe case. One student can play the Ted Marlowe role and three other students the roles of the applicants. Have students study their respective application forms and be ready for an interview with Ted Marlowe. They should attempt to make interviews as realistic as possible, and should make good use of other methods of selection. Videotape the role-play.

12. Following videotape playback and discussion of the role-play situation, other students may try to see if they can do better than the previous role-players. Add the following information: following the interviews, Arnold comes back in to see his uncle to plead for the job. Ted Marlowe does not want to hire him and has to find some way of turning him down without offending Arnold, Arnold's father and the other relatives. Again, videotape the role-play.

13. Play back the videotape and discuss the appropriateness with which Ted Marlowe handled the interview with Arnold.

14. Add other role-play situations suggested by students to provide them with experience in handling difficult situations with tact.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM7 SELECTING THE BEST MAN FOR THE JOB

CASE PM7 - 1

SELECTING THE BEST MAN FOR THE JOB (Part I)

Ted Marlowe, owner of Marlowe's General Store in Pine Hill, has a hard decision to make. His most experienced clerk is leaving due to ill health, and a replacement will have to be found quickly. Marlowe has three employees - a head clerk who has to know about pricing, bookkeeping and display; a female cashier; and a male junior clerk who looks after the warehouse, fills shelves and so on. It is the head clerk who is leaving and has to be replaced.

Many have applied for the clerk's job. So far there are three that Ted would consider good prospects:

1. Bill Best is a local man who has worked in other areas including a number of years as a store clerk. Ted does not know him very well.
2. George Towne is an outsider with a good reputation and considerable experience.
3. Arnold Marlowe is Ted's nephew, a local boy with no experience. Ted would consider him fine for the junior position but he already has a good junior clerk. On the other hand it would be hard to explain to Arnold's parents and the rest of Ted's many relatives if Arnold does not get the job.

Question

1. What should Ted Marlowe do to help him decide on which man to hire?

SUBJECT PERSONNEL MANAGEMENT

LESSON PM7 SELECTING THE BEST MAN FOR THE JOB

CASE PM7 - 1

SELECTION THE BEST MAN FOR THE JOB (**Part** II)

Ted Marlowe had the three applicants fill out application forms. The completed application forms are shown on the following pages.

Question for Discussion

1. Which person should Ted Marlowe hire?

PM7

EMPLOYMENT APPLICATION

PERSONAL STATISTICS

Mr. ✓
~~Mrs.~~
~~Miss~~ MARLOWE ARNOLD FREDERICK
(Check) (Last Name (First) (Middle)

Address PINE BLUFF, SASKATCHEWAN
(Street and Number) (City) (Province)

Date of Birth 1949 OCT. 15 Telephone Number
(Year) (Month) (Day)

Marital Status Single ✓ Married ___ Widowed ___ Separated ___ Divorced ___

How many dependents do you have? None

Do you have any Physical Disabilities? No Do you have any Chronic Ailments? No

If yes, explain

Position Applying for Clerk

EDUCATION

Circle grade completed 1 2 3 4 5 6 7 8 9 10 11 [✓ 12]

Post Secondary

Other courses or Training

RECORD OF PREVIOUS EMPLOYMENT

Name of Employer	Started Mo. Yr.	Left Mo. Yr.	What did you do?	Why did you leave?
P+B. Esso Service - started Oct/67 - still working				

(If additional space is needed to describe your previous employment use other side).

May we contact your present employer? Yes

I agree that this Company may investigate all statements made in this application.

Date Sept 17/71 Signature A.F. Marlowe

CASE

PM7

EMPLOYMENT APPLICATION

PERSONAL STATISTICS

Mr.
Mrs.
Miss (check) TOWNE (Last Name) GEORGE (First) ARTHUR (Middle)

Address 455 - 2ND ST. E. (Street and Number) Midland, (City) Sask. (Province)

Date of Birth 1938 (Year) April (Month) 18 (Day) Telephone Number 768-MIDLAND

Marital Status Single___ Married ✓ Widowed___ Separated___ Divorced___

How many dependents do you have? 4

Do you have any Physical Disabilities? No Do you have any Chronic Ailments? No

If yes, explain___

Position Applying for___

EDUCATION

Circle grade completed 1 2 3 4 5 6 7 8 9 10 11 [✓ 12]

Post Secondary___

Other courses or Training Laval Correspondence

RECORD OF PREVIOUS EMPLOYMENT

Name of Employer	Started Mo. Yr.	Left Mo. Yr.	What did you do?	Why did you leave?
Tilton's Dept. Store Midland, Sask.	Jan 1970	Still Working	Ass't Manager	Still working (See reverse)

(If additional space is needed to describe your previous employment use other side).

May we contact your present employer? Yes

I agree that this Company may investigate all statements made in this application.

Date Sept. 18, 1971 Signature George A. Towne

OVER ↘

Reason for wanting to leave —

Rail service to Midland is being discontinued next year. The town has been losing population for years and is expected to decline some more.

Mr Tilton does not want to lay off any staff but he has asked employees who are in a position to mov to look around for another job. We want to resettle in the north because we like the lakes in that area. Have visited the settlement of Pine Hill and like it fine.

CASE

P7

EMPLOYMENT APPLICATION

PERSONAL STATISTICS

Mr. ✓
Mrs.
Miss
(Check) (Last Name) BEST (First) WILLIAM (Middle) JAMES

Address (Street and Number) BOX 180 (City) PINEHILL (Province) SASK.

Date of Birth (Year) 1940 (Month) JANUARY (Day) 14 Telephone Number 783-2405

Marital Status Single ___ Married ✓ Widowed ___ Separated ___ Divorced ___

How many dependents do you have? 2

Do you have any Physical Disabilities? NO Do you have any Chronic Ailments? NO

If yes, explain ___

Position Applying for CLERK

EDUCATION

Circle grade completed 1 2 3 4 5 6 7 8 9 [✓ 10] 11 12

Post Secondary ___

Other courses or Training MERCHANDISING COURSE - 2 WEEKS

RECORD OF PREVIOUS EMPLOYMENT

Name of Employer	Started Mo. Yr.	Left Mo. Yr.	What did you do?	Why did you leave?
O.K. ECONOMY	APR 66	AUG 71	GROCERY MGR	SEE OTHER SIDE

(If additional space is needed to describe your previous employment use other side).

May we contact your present employer? ___

I agree that this Company may investigate all statements made in this application.

Date Aug 25/71 Signature W. J. Best.

OVER →

Reason for leaving Ok. Economy

moved back to Pine Hill at the request of my parents. My father had a stroke and is partially paralyzed. Mother is unable to cope at times and needs my help.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM8 INTERVIEWING JOB APPLICANTS

INSTRUCTOR'S GUIDE

OVERVIEW

In the previous lesson, the students had an opportunity to practise the interviewing of job applicants in the Ted Marlowe case. They had not been given any pointers on how to interview. The exercise should provide a good stimulus for this lesson which gives the students techniques of interviewing as well as some practice in role-play.

OBJECTIVE

The student will examine techniques of interviewing applicants for employment.

RESOURCES REQUIRED

1. Videotape recorder.
2. Blank employment application forms. Get a variety of forms from government, business or schools.
3. Resource person on interviewing technique. Request a school administrator, a businessman, a Canada Manpower counsellor or someone else with experience in interviewing to meet with the students.

METHODOLOGY

1. Do not hand out Readings immediately.

2. Read Purpose and Introduction to students.

PURPOSE

In this lesson you will learn how to prepare for and conduct an interview with job applicants in order to select the best employee for the job and for your business.

INTRODUCTION

When you hire an employee, you want not only a person who is able to do the job, but one who will also get along with you, the other employees, and the people with whom he comes in contact.

The kind of employees you have may help determine the success of your business; thus it is very important to use the job interview to assess an applicant before you hire him.

OBJECTIVE: THE STUDENT WILL EXAMINE TECHNIQUES OF INTERVIEWING APPLICANTS FOR EMPLOYMENT.

Stimulus

3. Refer to interview situation of previous lesson. Indicate that interviewing is an art which can be mastered by practice.

Clarify Problem

4. Have students list on the flip chart, and then discuss, the points they think should be considered in an interview of job applicants.

Provide Information

5. Hand out Readings. Read with the group, stopping for discussion at each point.

CONTENT

1. Preparing for the Interview

To get the best from an interview you should prepare carefully for it. Some preparations are:

a. Study the completed application form for information about the applicant's personal history, education, previous work experience, references, etc. Check the way the applicant filled out his form:

   (1) is the form neat or messy?
   (2) are some questions not answered?

b. Make a list of questions you want to ask the applicant. You may want additional information about the statements in the application. For instance, the form says the applicant has a Grade 12 education. Does he have a diploma?

   Or, the application form claims ten years experience as a mechanic. Did he go to technical school? Has he journeyman papers? Or did he just learn by doing? You may want to ask questions about the applicant's background, or about his experiences with former employers.

2. Conducting the Interview

The interview should last about 20 to 30 minutes. Arrange to be alone with the applicant, as other people in the room could distract him and make him feel uncomfortable. Some points to be covered in the interview are:

a. Try to make the applicant feel comfortable and free to talk; this will overcome any nervousness. Be friendly. This meeting could set the stage for your whole working relationship if you hire him. Even if you do not, he will go away with a friendly feeling toward you and your business.

b. Ask your questions in such a way that he will do most of the talking. Do not argue with the applicant if he says something with which you disagree. Listen carefully. Watch for differences between the things he put on the application form and the things he says in the interview.

c. Ask the applicant to talk about his ambitions, hobbies and other interests.

d. Watch his way of speaking; also look for nervous habits, the way he is dressed, whether he is neat and clean, etc. For some jobs you might want a worker who has a neat appearance and a good personality, but for other jobs these things may not be so important.

Example 1
If the applicant's job will be handling food, then you would look for cleanliness and neatness of hair and clothes. If the applicant has dirty fingernails and messy hair, you would think twice before hiring him.

Example 2
If you are looking for a mechanic you would expect rough hands and a little dirt under the fingernails.

Example 3
If the job calls for meeting the public, you would look for a person with a warm personality, confidence, and good taste in dress and appearance.

Some allowances have to be made. For instance, if the applicant came to the interview straight from work, you would expect him to be dressed for whatever job he was doing.

e. Be prepared to answer questions as well as to ask them. Remember, the applicant is trying to make up his mind about you and what kind of boss you would be. Be honest about the job and any problems connected with it. Give information freely so that if he takes the job, he will be prepared for it.

f. If you hire the applicant on the spot, the interview is over except for details of starting date, salary, etc. If however, you have other applicants to interview before making the final decision, introduce the applicant to one or two employees -- your wife, for instance, if she works in the business, or your senior assistant. This will allow you to get their impressions of the applicant, and they will feel that they have been involved in the hiring decision.

g. End the interview in the same friendly manner that you started it.

3. Summary

This lesson only gives guidelines on how you should conduct a job interview in order to select the best employee for the job and for your business. Only you can judge how the interview should be handled. You have to make the final decision on hiring the worker. Practice in interviewing will give you confidence in handling yourself, and making the applicant feel at ease and free to talk.

6. Following the reading and discussion of the lesson material, the resource person can be brought in to discuss his technique of interviewing. This can take place at a convenient time for the resource person. The students should be encouraged to ask questions in order to obtain the maximum benefit from the resource person's experience. The resource person could remain, if he has time, for the role-playing to help students evaluate their skills. In this case the application forms should be filled out prior to the resource person's visit.

Indicator

7. Hand out employment application forms and have each student make up an application for one of:

   a. mechanic applying for a job at a garage
   b. cashier at a grocery store
   c. logger at a sawmill
   d. assistant manager for an outfitting camp
   e. waitress at a cafe
   f. serviceman at a service station.

Role Play

8. Have each student take a turn at role-playing an employer who is interviewing job applications. Have the interviewer study the application form of an applicant and conduct an interview (of 10 minutes duration). The role-playing could be videotaped and played back for discussion and criticism.

9. If the resource person is still present, he can assist the group in evaluating the role-playing situations for interviewing skills.

SUBJECT PERSONNEL MANAGEMENT

LESSON PM9 TRAINING PERSONNEL

INSTRUCTOR'S GUIDE

OVERVIEW

Following a good job of recruiting, interviewing and selecting an employee, the manager or owner-manager of a small business must plan for the introduction and instruction of the new employee.

It is quite common to find the small business manager who fails to train his employees adequately. He thinks he does not have time, cannot afford the cost or does not know how to proceed in the training of new, as well as existing personnel.

Many employees would be more efficient if the proper training had been provided. This lesson attempts to show the student the importance, as well as some of the methods, of introducing and training personnel.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Loen, Ernest L. Personnel Management Guide for Small Business. Washington: Small Business Administration, 1961, pp. 16 - 21.

OBJECTIVE

Given a specific business and a specific job opening, the students will be able to plan a training program for a candidate for the position.

RESOURCES REQUIRED

1. Films:

   a. "Introducing the Worker To His Job", 16 minutes
   b. "Instructing the Worker On The Job", 14 minutes
   c. "Pattern For Instruction", 21 minutes
   d. "Serving Food", 10 minutes.

2. Projectuals:

   a. PM9-1,"Introduction to the Job"
   b. PM9-2,"Three Questions on Training"
   c. PM9-3,"Steps in Training."

METHODOLOGY

1. Do not hand out Readings immediately.

2. Read the Purpose and Introduction to the group.

PURPOSE

In this lesson you will discuss the importance of training new employees and consider some of the ways this can be accomplished.

INTRODUCTION

We have discussed the importance of using care and good judgment in finding and selecting suitable employees. After the employee has been hired, it is equally important that you give him a good introduction to his job and, if necessary, the training required to do his job. Your business will be new to the person you have just hired. If you train your new employee well, you will have a happy and productive worker.

OBJECTIVE: GIVEN A SPECIFIC BUSINESS AND A SPECIFIC JOB OPENING, THE STUDENT WILL BE ABLE TO PLAN A TRAINING PROGRAM FOR A CANDIDATE FOR THE POSITION.

Stimulus

3. Show Projectual PM9-1, "Introduction to the Job". Ask students: "Have you ever been introduced to a new job this way?"

Clarify Problem

4. Encourage students to give examples of personal experience about starting a new job. Ask: "What should be explained to employees starting a new job?"

Provide Information

5. Introduce the film, "Introducing the Worker to His Job", (16 minutes). This film is set in a large plant. It shows, first, a new worker having to find his way to his job. Nobody helps him and he has a very unhappy start. Then it shows how the introduction should have been made, with happier results. Explain that, although the setting is big business, the principle applies in any business, even if there is only one employee.

   a. Show first part of film, 'how not to start a worker'. Stop film and discuss.

   b. Show second part of film. Discuss.

6. Hand out Readings; read and discuss Section 1.

CONTENT

1. Introducing a New Employee to the Job

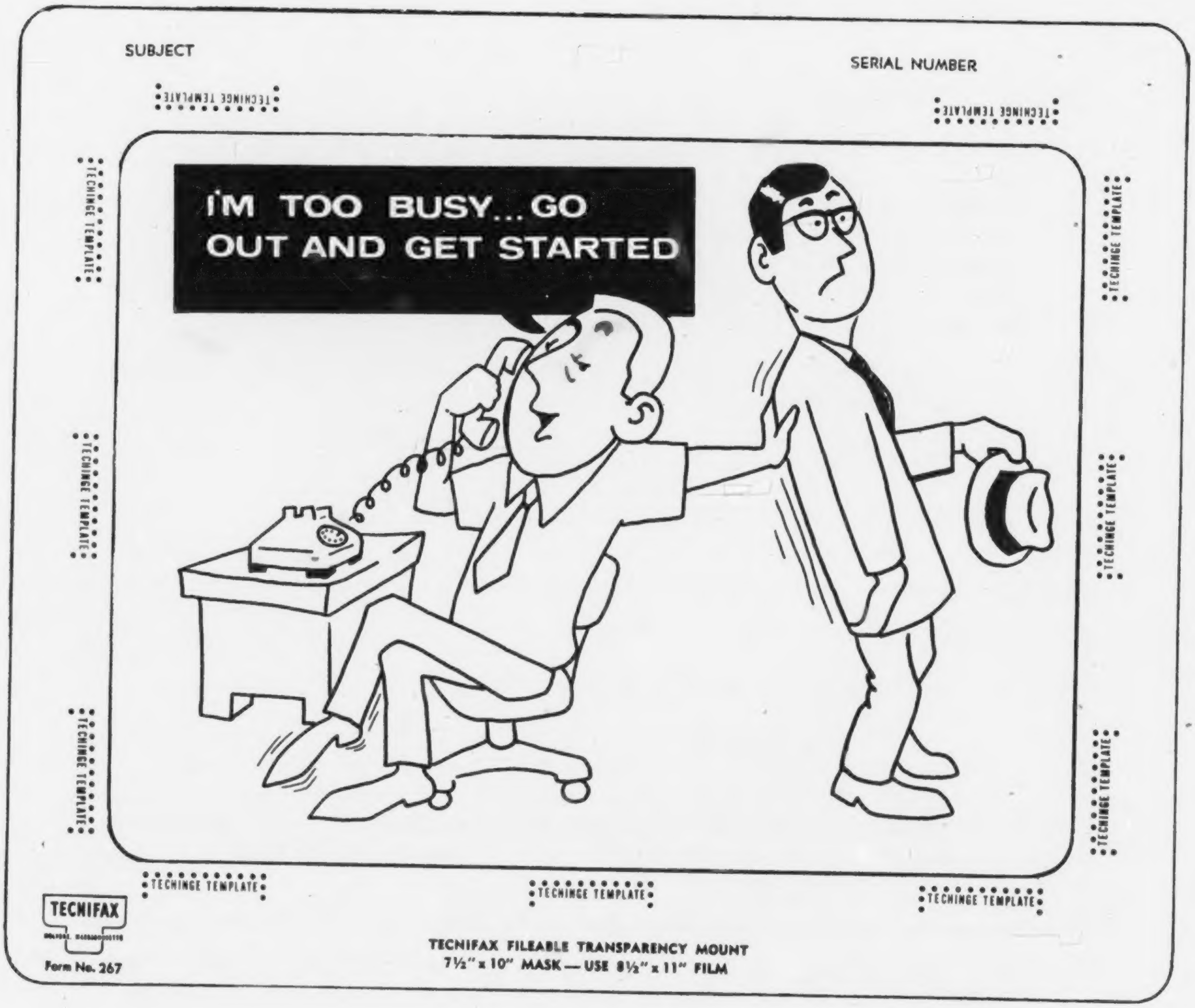
A new employee may feel strange at first. You can help him feel at ease by showing him around your place of business. If you have other employees, introduce them to him. Show him where he will work and the materials and equipment he will need in his work - tools, supplies, machines, stationery, etc.

7. Show Projectual PM9-2, "Three Questions on Training". Ask: "How important is it to train an employee?" and "How do you train an employee"?

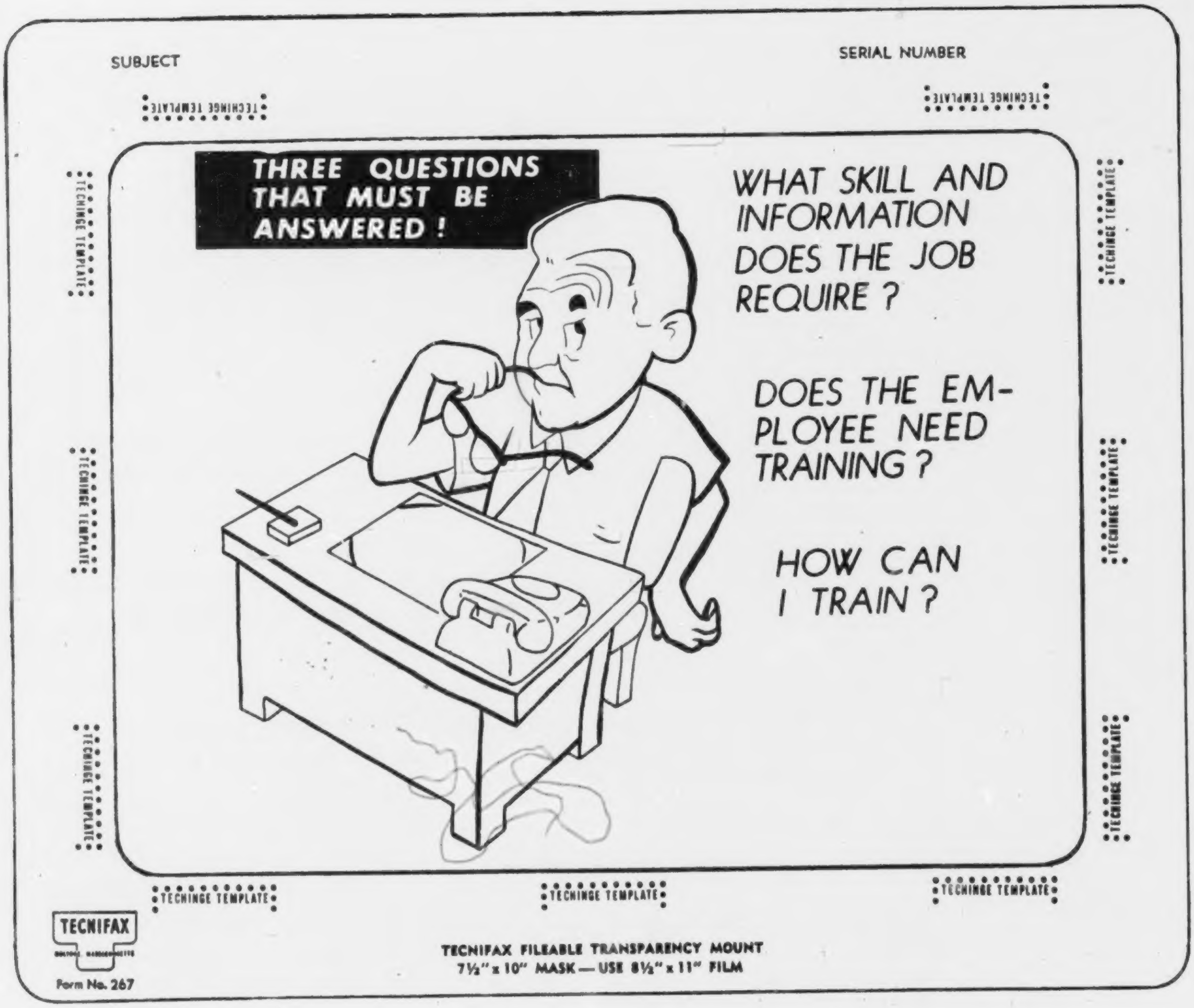
8. Introduce the film, "Instructing the Worker on the Job", (14 minutes). This film also has a plant setting. It shows, first, how not to instruct a worker and then shows how to do it.

PM9

PM9-1 INTRODUCTION TO THE JOB


SUBJECT
SERIAL NUMBER
I'M TOO BUSY...GO OUT AND GET STARTED
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

PM9-2 THREE QUESTIONS ON TRAINING



THREE QUESTIONS THAT MUST BE ANSWERED !

WHAT SKILL AND INFORMATION DOES THE JOB REQUIRE ?

DOES THE EMPLOYEE NEED TRAINING ?

HOW CAN I TRAIN ?

SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

9. Show Projectual PM9-3, "Steps in Training" and read Section 2. Students should see the fun phases of training in the projectual.

2. On The Job Training For New Employees

Your new employee may need training. For instance, if your business is a store, the new clerk must be shown how to handle a cash register, wrap parcels, approach customers, fill shelves, make sales slips, mark prices, etc.

Even if your new employee is an experienced clerk, he must be trained to your way of doing things in your business. For instance, your cash register and your credit policy may be unfamiliar to him.

Points to remember in training a new employee are:

a. Prepare the Worker
Ask questions. Find out what he already knows. Be prepared to answer questions. Listen carefully. Talk about the job. Your interest in him and his job will encourage him to learn.

b. Present the Job
Tell your employee how to do the job, then show him how to do it. It is important to be patient until he understands the work.

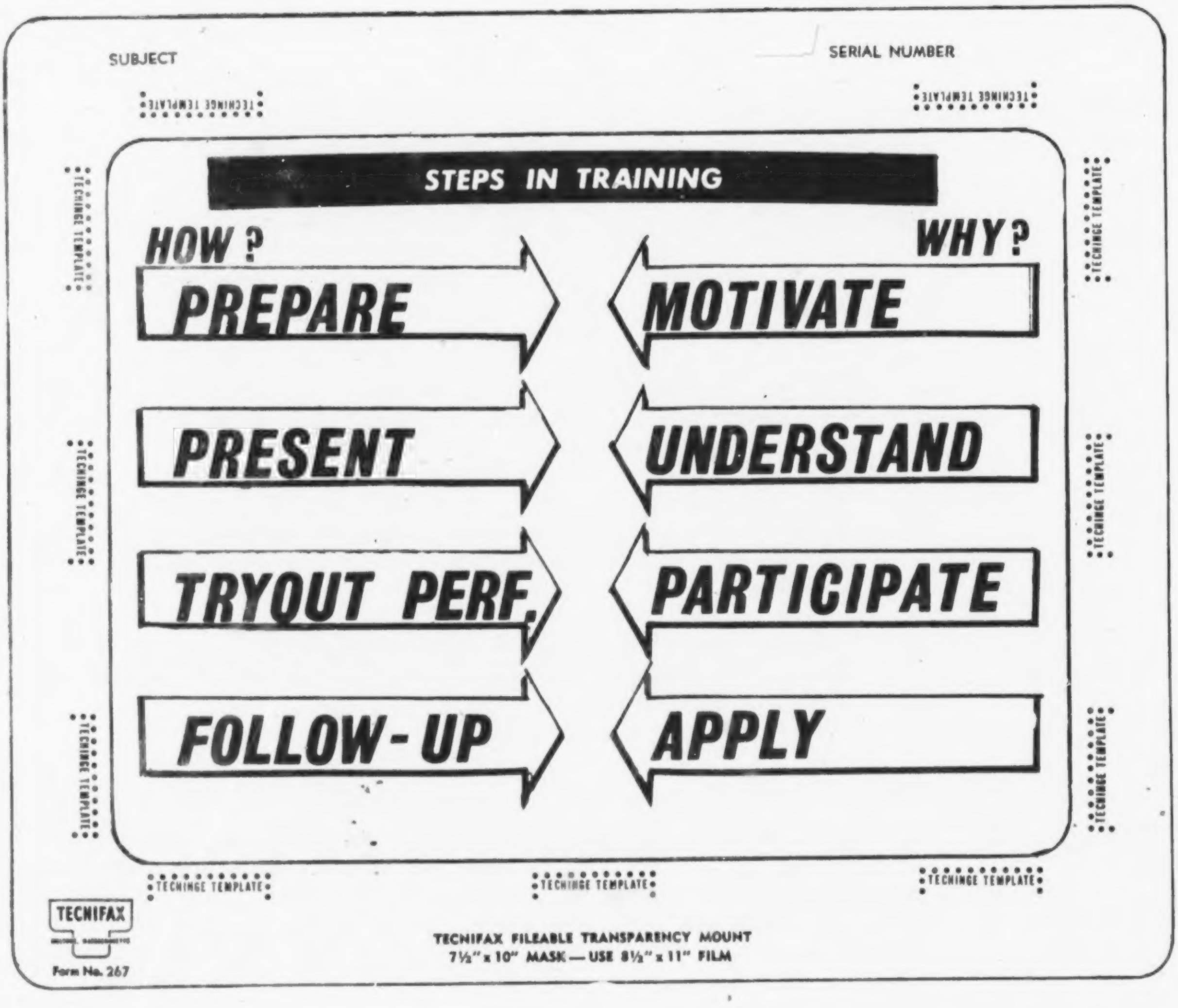
c. Try-out Performance
Let your employee take over and do the job under your supervision. Stay with him until he can do the work alone.

d. Follow-up
Keep in touch -- your employee may run into unexpected problems. Make sure he feels free to call on you for help when he needs it.

10. Show both or either of the following films.

a. "Pattern for Instruction", (21 minutes). This is a film showing how the training pattern used by football coaches can be applied to business training. It shows the how and why of each step in training.

PM9-3 STEPS IN TRAINING



SUBJECT

SERIAL NUMBER

STEPS IN TRAINING

HOW?	WHY?
PREPARE	MOTIVATE
PRESENT	UNDERSTAND
TRYOUT PERF.	PARTICIPATE
FOLLOW-UP	APPLY

TECHINGE TEMPLATE

TECNIFAX

Form No. 267

TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

How	Why
Prepare	Motivation
Present	Understanding
Try-out Performance	Participation
Follow-up	Application

Discuss film. Use Projectual PM9-1 to aid in discussion.

b. "Serving Food", (10 minutes). This film deals with the training of a waitress in a restaurant. It shows how to serve customers and keep food clean. Result - happy waitresses and customers. Discuss film.

11. Read Sections 3 and 4.

3. Other Types of Training

You and your employees may, from time to time, need new training in order to keep up-to-date with a fast-changing business world. Some types of training are:

a. Off the job training, usually given by government specialists or company experts, to train employees in new procedures, equipment, etc., or to re-train employees who need refresher courses.

b. On the job training, given by a company employee or an outside expert, to explain the use of new methods and materials.

c. Classes, lectures and films concerning business developments, work processes, etc., usually attended by employees in off hours.

4. Summary

When you hire a new employee for your business, you must ensure that he is properly introduced to his job. You must allow him time to become familiar with the place where he will work, the equipment and material he will need, and the people he will be working with. You must also ensure that the new employee knows what his job involves, and that he is trained properly to do it.

It is also important that all your employees receive any additional training that may become necessary. Conditions in the business world change rapidly as new methods and new equipment are introduced. Retraining and refresher training for your employees will keep them interested in and satisfied with their jobs, and will make them more productive workers.

Indicator

12. Have students form into small groups of four or five persons. Ask each small group to select a particular business situation with which they are familiar. Then have them pick one specific position and plan a training program that they would use in training the new employee for the position. The program should be detailed enough to be realistic.

13. Have a representative of each small group present his training plan to the class. Ask the class to analyze and improve if they can on each plan. This will help the students in developing critical thinking skills.

SUBJECT OFFICE PROCEDURES

LESSON OP4 OFFICE MACHINES

INSTRUCTOR'S GUIDE

OVERVIEW

In this lesson, the student should consider some of the factors in buying the most common office machines. The students will have had an opportunity in the accounting lessons to use an adding machine.

In this lesson students will have an opportunity to try out a cash register. They will get practice in the use of a cash register in a later lesson.

A typewriter should be brought into the class so the students have an opportunity to try it out. Typing lessons can be planned for the students' spare time if typewriters are available and if a course or instructional personnel are available.

Students should see office machines as a means of increasing the speed and accuracy of doing the paper work in the business.

OBJECTIVE

The student will be aware of the factors he should consider when buying office machines and be able to discuss the importance of these factors.

RESOURCES REQUIRED

1. Adding Machine
2. Cash Register
3. Typewriter.

METHODOLOGY

1. Hand out Readings.

2. Read the Purpose and Introduction with the group.

PURPOSE

The purpose of this lesson is to discuss the various uses of office machines in a business. You will be shown how to operate the following machines:

1. Adding machine
2. Typewriter
3. Cash register.

INTRODUCTION

Although only three business machines are discussed in this lesson, there are many other machines businessmen use. These can be seen when the class visits a stationery store later in the course.

3. Discuss and clarify the Purpose and Introduction.

OBJECTIVE: THE STUDENT WILL BE AWARE OF THE FACTORS HE SHOULD CONSIDER WHEN BUYING OFFICE MACHINES AND BE ABLE TO DISCUSS THE IMPORTANCE OF THESE FACTORS.

Stimulus

4. Ask if any of the students have operated an adding machine, cash register, or typewriter.

5. If any have operated one of the above machines ask them where they used the machine.

6. Ask the students why office machines are used.

Clarify Problem

7. List answers on flip chart and have students discuss and clarify these answers.

Provide Information

8. Read Section 1 of the Readings.

CONTENT

1. Considerations in Buying Office Machines

Why would you want to buy or rent office machines?

Some of the reasons could be:

a. Speed up work - save the time of your employees by making records and statements more quickly.

b. Simplify record keeping operations that are complicated.

c. Give protection in handling of your cash, securities, mail, and other office details.

d. Give neatness in records and files through typewritten rather than handwritten records which may be hard to read.

e. Have better accuracy through machine calculation.

When you buy or rent a machine, know the job you want it do. Avoid the common mistakes made in acquiring office machines:

a. Failure to get help in choosing the machines to fit your needs.

b. Buying equipment which cannot be serviced easily.

c. Purchasing equipment which can be used for only a few quick jobs. Machinery should be bought only if it can be used a great deal.

d. Failure to use equipment for the purpose for which it was acquired. Too often people buy machines for one purpose and use them for jobs they aren't made to perform.

9. Compare the list prepared in Point 7 above with the considerations listed in the above Readings.

10. Read Section 2 of the Readings.

2. Maintaining Office Equipment at the Lowest Cost

You should know what office equipment you have and what it costs to keep it in good condition.

Keep a record for each piece of equipment, showing the manufacturer, serial number, model, cost, date of purchase, type of work performed, location, etc. Then record the maintenance costs on the reverse side of the record card. Show the dates of repairs and the cost of these repairs.

Ask your equipment supplier for a list of things to do to keep your office machines in good working order. Office machines should be serviced by trained people (suppliers will often set up a schedule so that their service people will look after your machines).

Here are some general points which can help machine maintenance:

a. Remove all visible dirt, with a brush. Brush away from the inside of the machine.

b. Do not erase over the typewriter mechanism. Move the carriage to one side.

c. Don't force a machine.

d. Never use cleaning fluid on rubber parts of machines.

e. Be sure you understand the operation and care of machines; keep instruction book handy in your filing system.

f. Keep all machines covered when not in use.

It is best to have a good service contract with your supplier to maintain your machines. This is not always possible. If you can't get a service contract, be sure to take steps to maintain your machines in the best possible condition. A broken machine delays office work.

11. Emphasize that points in Section 2 are general points and that manuals for the specific machine will outline maintenance procedures for that machine.

12. Read Section 3, a. of the Readings.

Adding Machine

13. Place it in a position where all students can see it, and demonstrate how it is operated.

3. Types of Machines

There are many types of machines you can use in your office. The three most common machines in business are:

a. Adding machine
b. Typewriter
c. Cash Register.

a. Adding Machines

The simplest and most common calculating machine is the adding machine. It is used to add columns of figures. There are machines that will add, subtract, divide, and multiply.

The adding machine may be hand or electrically-operated, listing or nonlisting. A listing adding machine records the row of figures on a strip of paper. The nonlisting shows the accumulated total on the top or bottom of the machine. The two general types of list adding machines are known as full keyboard machines and ten key machines.

There are many different manufacturers selling adding machines. You must judge for yourself what type you will buy. Some things to check for before buying a machine are:

(1) Will it do the job you want it to?
(2) Can you obtain service.
(3) What do other businesses in your area think of it.
(4) Is it a reasonable price?

14. Read Section 3, b. of the Readings.

Typewriters

15. Place it in a position where all students can see it. Explain and demonstrate how it is operated. If instructor wishes, he can have a stenographer explain the typewriter to the students and answer questions. Mention that there are various typing courses that one can use to learn how to type during free time. If possible, obtain one of these courses for the students' use.

b. Typewriters (Special Features)
Although a typewriter is one of the most common office machines, there are various automatic refinements as well as a number of attachments which are often overlooked despite the fact that they can make its use much more convenient and productive.

(1) Electric
Being easier to use, electrically-operated typewriters have as their chief asset the fact that they cause less fatigue. This advantage becomes evident in continuous typing jobs, such as billing. Further, the reduced fatigue also leads to fewer errors and higher productivity. Another outstanding advantage is in the preparation of stencils, where the automatic pressure control cuts the stencil evenly, and provides for uniform reproduction of all characters. The same point applies in the typing of multiple copy sets, where legibility is always a problem.

A disadvantage of electric operated typewriters is their price. They generally cost more initially than a manually operated typewriter; therefore check the costs against the job requirements to make an economically sound decision. Most small businessmen can get by with a manual typewriter.

(2) Tab Stops
A very convenient added feature to the typwriter is the decimal tab stop. The decimal tab stop permits you to select the exact, first-typestroke position in a columnar distribution of figures. There are tabular stops for 100,000; 10,000; 1,000; 100; 10; and 1. No backspacing, no adjusting, and no visual judgment is required to line up the figures correctly beneath each other. This can be highly important in typing long statistical reports.

(3) Automatic Line-Finder
In billing and similar operations it is often desirable to use an automatic line-finder. This is an attachment to a typewriter carriage which can be put on any type of writing or bookkeeping machine. A simple ratchet with a handle permits you, in a single motion, to roll the sheet up in the machine from any line of the previous form to the first typing stroke of the next form. It is most advantageous for continuous forms, but it can be used to position snap-out sets or individual forms to the first typing position.

(4) Dual Feed Attachments
When placed on typewriters, these devices make it possible to type identical data on two forms of different height and width. For example, cheques of 8" x 3 1/2" dimension may be typed and copies can be made at the same time on a cheque register, size 11" x 14" each cheque taking only 1 line.

(5) Front Feeding
Comparatively few people know that envelopes, index cards, labels, and other small forms can be fed from the front of a typewriter, and that the finished forms will stack themselves in the back feed of the machine. In front feeding, the new form is placed just between the platen and the old form, and the platen is turned backward instead of toward the front. One motion positions the new form and stacks the old form.

By using the alinement bar with its placement rollers only, one can transform a regular typewriter into a front-feed posting typewriter. The journal sheet is held in place by the alinement bar, and the ledger card -- with or without statement - is held by the feed rollers only. Payroll, accounts receivable, plus several ledger cards and journals can be prepared in one typing, thereby reducing posting time and chance of error. A typewriter alone, of course, does not offer the advantages of automatic balances and accumulated total obtainable with a bookkeeping machine.

These attachments are mentioned here so that you are aware of them when you are buying a typewriter. In most cases you will not need these attachments for your work.

16. Read Section 3, c. of the Readings.

Cash Register

17. Place it in a position where all students can see it. Explain and demonstrate how it is operated.

c. Cash Registers
Businesses use a cash register for control of cash. All payments of cash are recorded through the cash register. At the end of the business day you are then able to prove your cash, that is, determine if the right amount of cash is in the cash drawer.

There are many different types of cash registers - simple ones which only record the price on a tape and complex ones which identify the item sold, who sold it, the department, the cost and the tax, with all this information recorded on tape, bills and statements.

The type of cash register you decide to use will again be determined by your requirements. Don't get an expensive, multi-keyed cash register if you have no use for anything more than a simple machine. The more complex the machine, the higher the price.

Indicator

18. Discuss the use of office machines in a business. Should a small businessman know how to operate these machines? Read Section 4.

4. Summary

The purpose of using office machines is to save time and money, and to increase the quantity and quality of work done. In order to meet these goals when buying office machines you must be aware of the costs of the office machines available from your suppliers. Beware of buying an expensive machine when a less expensive machine will meet your needs for a long time.

Once you obtain office machines be sure to set up a service schedule to maintain your machines at their best operating efficiency. If possible, have a trained person service your machines. Many times a service contract can be signed with the supplier from whom you bought your machine.

The key points to remember in buying and using office machines are:

a. Match the machine to the job.

b. Do not purchase an expensive machine when a lower cost machine will do the job just as well.

c. Regularly service your office machines to maintain them at peak operating efficiency.

SUBJECT OFFICE PROCEDURES

LESSON OP5 DUPLICATING

INSTRUCTOR'S GUIDE

OVERVIEW

As stated in lesson OP2, "Filing", the files of a business serve as a storage area for important records, reports and other papers relating to past activities of concern to the sound operation of the business. Because the papers in the files contain data of past activities it is often necessary to use them to show whether or not a certain action was taken, a certain payment was made or if a certain form was actually sent. As the papers in the files are the only record the business might have, it would be foolish to allow the original to leave the possession of the business because of the danger of it being lost or destroyed; therefore a duplicate copy of the paper, or the information on it, can be used.

Another way duplication of material is useful is in the presentation of similar data to a large number of individuals or other interested parties. If a memo, statement, report or article of interest can be machine reproduced, it will save the businessman time and money. Copying by hand or typing is time-consuming and costly.

OBJECTIVE

The student will be able to discuss how the duplicating of material can be useful to a business.

RESOURCES REQUIRED

1. Spirit Duplicator, Stencil Duplicator and Photo-Copier OR make arrangements so that the class can visit an office to use these duplicating machines.

2. A resource person (such as a stenographer) to demonstrate the machines.

METHODOLOGY

1. Hand out the Readings.

2. Read the Purpose and Introduction.

PURPOSE

The purpose of this lesson is to discuss the reasons for duplicating documents or other written material. In addition, you will be shown how to operate a Stencil Duplicator, a Spirit Duplicator and a Photo Copier.

INTRODUCTION

At one time or another you, like most other businessmen, will have a need for producing duplicate copies. Sometimes you will need copies of statements, records, and advertising material for distribution to the Board of Directors, employees, government agencies, creditors, or customers. At other times you might need to produce copies of documents to prove your ownership, payment of account, receipt of payment, or the terms of a contract or a lease.

Knowing how and when to duplicate information will be useful to you.

3. Clarify the Purpose and Introduction.

Stimulus

4. Ask why a businessman duplicates documents.

Clarify Problem

5. Discuss the answers to number 4 above.

Provide Information

6. Read Section 1 of the Readings and discuss.

CONTENT

1. Using Duplicating Machines in Your Business

Many businessmen are unaware of the importance of duplicating business documents. Creditors, suppliers, and various government agencies are interested in your financial statements and special reports. Customers are interested in any specials and sales you are planning. There are occasions when many copies of the same document would be useful. Although you can type or write up individual copies or even send the original document to each party in turn, these methods are time-consuming and expensive. Sending one document to each interested party in turn means having to wait until the document is returned before you can send it to the next. You also stand a good chance of the document being lost, destroyed or damaged. To overcome these problems you can produce copies of the document on a duplicating machine. These machines will save you time and money. You will not have to worry about the document being lost outside your office.

Another occasion when duplicating will be useful to you is when you are required to prove you have paid, received, or taken some action. In cases such as just mentioned you generally have only one original document such as a receipt, letter, or cancelled cheque. To allow this document to go out of your possession is asking for trouble. If the receipt or cancelled cheque is lost or destroyed by the person you send it to, you have no proof that you have paid the bill.

Another example of the danger of allowing original documents out of your possession is giving your copy of a receipt to a credit customer. The customer might pay you $50.00 on account and a while later say that he or she has actually paid $75.00. If you gave the receipt to the customer to take away, the receipt could be lost or destroyed and you would be required to credit him or her with the payment of $75.00 because you have no way to prove otherwise. To overcome this problem of sending the information on original documents, yet not allowing the document to leave your possession, you can send the person a photo copy. If the photo copy is questioned you can always show the interested party the original if they come to your business or else you can take the orginal to them.

7. Read Section 2 of the Readings and discuss.

2. Machines for Duplicating

There are many different duplicating machines offered on the market. Some are very expensive machines which can turn out multi-copies in a very short time. Others are specialized machines designed for special jobs.

Which machine and method to use will depend upon the job you wish the machine to do, the amount of duplicating you will require, and how much you can afford to spend; match the machine to the job you require it to do. Most small businesses will not require large expensive machines; in fact, if you have easy access to a machine you might not even need to buy one.

The three most common types of machines you will operate are:

a. Spirit Duplicator
Of the three main types of duplicating machines, the spirit duplicator is generally considered the simplest, fastest way to produce up to 500 copies. Quality of reproduction, however, is well below that of the other two machines, and it is unable to reproduce photographs. With one run of the machine, it can produce multi-coloured copies; such work is prepared by typing or drawing on the same master sheet with different coloured columns.

b. Stencil Duplicator
The stencil duplicator is probably the most inclusive machine in terms of use. Often called "mimeograph", it uses a fibrous-tissue stencil which holds back ink except where cut by typewriter key or stylus. Stencil machines can reproduce photos with fair quality. Runs of 1,000 and 3,000 copies are common; special stencils can extend that volume to around 5,000.

c. Photo Copier
The photo copier produces the best quality reproduction with the best effect. But it is also the most expensive of the three machines. Unless you have a need for a high quality reproduction it is advised that you use one of the previous two machines.

8. Have a resource person demonstrate how each machine works.

9. If the students wish, have them actually use the machines demonstrated.

Indicator

10. Students should see the use of the spirit duplicator and stencil duplicator as a means of sending advertising and promotion material.

    The photo copier is useful to get duplicate copies of letters, cheques, etc. However because of the cost involved most small businesses cannot afford to rent or purchase a photo copier. Students should know that for a small cost per copy, some businesses will allow copies to be made on their photo copiers.

11. Ask if duplicating is important to a businessman? Why? Encourage student discussion.

12. Have the students read Section 3 of the Readings to summarize the lesson.

3. Summary

At one time or another you will need to duplicate documents in your files or advertising flyers you type up. If you are aware of the principles of operating the three machines mentioned in this lesson (the stencil duplicator, the spirit duplicator and the photo copier), you will be able to save yourself time and, in the case of duplicating documents in your files, you will protect yourself against loss of valuable documents.

Duplicating has many uses; you have looked at but a few. As you get involved in your business you will find other uses for duplicating.

SUBJECT OFFICE PROCEDURES

LESSON OP6 OFFICE SUPPLIES

INSTRUCTOR'S GUIDE

OVERVIEW

Items such as paper, sales books, accounting forms, pencils and other office supplies are generally taken for granted. These items are assets of the business and as such have a dollar value. They must be ordered, stored, and controlled. It is very true that one pencil or one piece of paper doesn't cost very much but 500 pencils plus 5 or 6 thousand sheets of paper plus all the other office supplies do amount to a fair sized expense of the business. The businessman must learn to plan and control his office supply needs just as he plans and controls his purchases and inventories of merchandise or raw materials.

OBJECTIVE

The student will be able to write a report on the purpose of office supplies, the types of office supplies he would use in a business of his choice, and why controls should be used in handling office supplies.

RESOURCES REQUIRED

1. Arrange a trip to a store specializing in office supplies.
2. Pencil and paper for each student.

METHODOLOGY

1. Hand out the Readings.

2. Read aloud the Purpose and Introduction.

PURPOSE

In this lesson you will look at the ordering and controlling of office supplies.

INTRODUCTION

Pencils, paper, sales slips, accounting forms, and the other items you need to operate your office do not just appear and in the right amount. You must decide what items you need, in what quantity you need them, and from where you are going to purchase them. Office supplies represent an asset of the business (you paid money out for them); therefore controls should be set up to make sure they are used properly. Over a number of years you may have invested a few hundred dollars in your office supplies.

3. Clarify where necessary.

Stimulus

4. Hand out pencils and paper to each student.

5. Instruct them to write at the top of the sheet one item they feel belongs in office supplies. Have each student then pass the paper to the student on his right. On the sheet of paper he writes under the item on the paper an item he feels would be included in office supplies. The item he writes on the paper must not be already listed on the paper. Then he again passes the sheet to student on his right and process is continued. He receives, writes and passes paper until his original paper returns to him.

6. After all the students have their original paper back, ask one of them to list the items on his sheet on the flip chart.

7. Ask if any of the other students have other items to add to the list on the flip chart. If so, have them add these items to the list.

Clarify Problem

8. Ask if all the items on the list are actually office supplies.

9. a. If they answer, "Yes, they are all office supplies," ask them how they define office supplies.

   b. If they answer, "No, they are not all office supplies," have the students identify those that are not office supplies and have them state what definitions of office supplies they used to determine whether or not an item on the list fits their definition.

Provide Information

10. Read Section 1 of the Readings.

CONTENT

1. What are Office Supplies?

There are many different types of items involved in office supplies. Some of these are:

a. pencils
b. pens
c. erasers
d. rulers
e. stationery for letters
f. books for - sales
   - receipts
   - journals
g. ledger cards
h. file folders
i. paper for the Work Sheet, duplicating, etc.

Office supplies are items which enable you to do the paperwork of your business.

11. Compare the explanation given in Readings with the definition given by students. If their definition is more meaningful, use it.

12. Ask the students where office supplies can be bought.

13. Read Section 2 of Readings.

2. Buying Office Supplies

Many of the office supplies you will use can be purchased at a stationery store. Before buying any of these supplies you should determine what quantities you are likely to need and how much storage space you have. When buying, shop around to get the best price possible. Probably you will buy in quite large quantities; if you do, you may be able to arrange a discount on the purchase price.

For some items (such as special stationery) you may have to prepare orders. If this is the case for you, check the prices offered and determine the quantity to be purchased -- make sure you order enough so that you won't run short. If you are going to use special stationery make sure it presents the image of your business that you want the correspondent to have. The appearance of the business letter -- the design of the letterhead, the quality of the stationery, and the neatness and correctness of typing -- has a real sales value; it forms in the mind of the reader a picture of the character of the business firm.

14. Ask: "Is it necessary to control office supplies?

15. Read Section 3 of Readings.

3. Controlling Office Supplies

Office supplies are generally not expensive as individual purchases, but their sum total over a long period is quite large.

Since office supplies represent a sizable asset of the business, their purchase and use must be controlled.

You should keep office supplies together so that you can easily check them by a physical count any time you need to determine their value. In addition, by keeping them together, you can readily see when you need to purchase additional items.

It is not convenient to make an entry each time a pencil, a sheet of paper, or some other item is taken from the supply cabinet. At the end of the month, however, it is necessary to show the cost of supplies used if the expenses of the month are to be reported accurately on the

Profit and Loss Statement. It is also necessary to show the cost of the supplies on hand if the assets are to be reported accurately on the Balance Sheet.

One procedure to account for the expense of supplies used is explained in the Finance, Accounting, Bookkeeping lessons. Briefly, it involves subtracting the cost of supplies presently on hand from the cost of supplies at the beginning of the period plus the cost of those supplies purchased during the period. The difference is the cost of supplies used during the period; this difference is entered as the expense of supplies used during the period.

16. Read Section 4 of the Readings.

4. Summary

All offices require items such as pencils and paper to perform the recording and corresponding activities of the business. Office supplies are assets of the business and must be accounted for, and controlled. When buying office supplies, determine which items are required, and in what quantities. Choose your supplier carefully -- look at items, prices, discounts, and as well, the supplier's willingness to advise you on office supply requirements.

17. Have the class visit an office supply business. They should look at various supplies available. They should also use the visit as an opportunity to see office furnishings and office equipment available.

Indicator

18. Have each student write an overnight report stating:

    a. the purpose of the visit to the business

    b. the purpose of office supplies

    c. types of office supplies

    d. what office supplies he might use in a business of his choice

    e. why controls should be used in handling office supplies

SUBJECT MARKETING

LESSON MKT5 MIDDLEMEN

INSTRUCTOR'S GUIDE

OVERVIEW

Students were introduced to the idea of middlemen in lesson MKT1, "Introduction to Marketing". In the projectuals used in that lesson, the student saw the wholesaler and retailer involved in the channel of distribution.

The instructor may find some students with considerable knowledge concerning middlemen. All students will have had experience at the retail level, but some may be quite unaware of the wholesaler's job and how he operates. The instructor will have to decide how much emphasis should be given to the study of the lesson material.

This lesson is intended primarily to increase the students' awareness of marketing channels, not to provide a study of channel efficiencies.

OBJECTIVES

1. The students will be able to define the terms "middlemen" and "channels of distribution".
2. The students will be able to list the main jobs performed by wholesalers and by retailers.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Archer, Maurice. An Introduction to Canadian Business. Toronto: McGraw-Hill Co. of Canada Ltd., 1967.

2. Kelley, Eugene J. Marketing Strategy and Functions. Englewood Cliffs: Prentice-Hall Inc., 1965, ch. 7.

3. Kotler, Philip. Marketing Management: Analysis Planning and Control. Englewood Cliffs: Prentice-Hall Inc., 1967, ch. 16, 17.

4. Hill, Richard M. Profit By Your Wholesalers Services. Small Marketers Aids #140, Washington, D.C.: Small Business Administration.

5. McCarthy, E. Jerome. Basic Marketing: A Managerial Approach. 4th ed. Georgetown, Ontario: Irwin-Dorsey Ltd., 1971, ch. 15 - 19.

RESOURCES REQUIRED

1. Projectual MKT1-1, "Definition of Marketing"
   MKT1-2, "Fish Marketing"
   MKT5-1, "Channels of Distribution"
2. Arranged tour of a local wholesale outlet.
3. Flip chart.

METHODOLOGY

1. Do not hand out Readings immediately.

OBJECTIVE 1: THE STUDENTS WILL BE ABLE TO DEFINE THE WORDS "MIDDLEMEN" AND "CHANNELS OF DISTRIBUTION".

Stimulus

2. Ask the students to name a variety of products which they have purchased recently. List the products on a flip chart.

   Ask: "Who produced these products?" List the answers on a flip chart.

   Ask: "Can you trace the path that these products followed from the producer to the consumer?"

Clarify Problem

3. Arrange answers to the above questions on a flip chart as follows:

Producer	Path	Consumer
Product A		
Product B		
Product C		

To help students specify the path, ask questions as follows:

a. "Who handled the product before it got to you?"

b. "Who owned the product on its way from the producer to you?" This should encourage students to suggest some businesses in the path such as wholesaler, transporation company, etc.

4. After sketching the paths for a few of the above products, show Projectual MKT1-1, "Definition of Marketing" and discuss.

Point out:

a. that wholesalers and retailers usually handle and own products as they flow from the producer to the consumer.

b. that these wholesalers and retailers are called MIDDLEMEN.

c. that the path a product takes in getting from a producer to a consumer is called a CHANNEL OF DISTRIBUTION. For example, wholesaler and retailer make up the channel of distribution for the soup.

5. Show Projectual MKT1-2, "Fish Marketing" and discuss the middlemen shown.

Provide Information

6. Hand out the Readings; read and discuss the Purpose and Introduction.

PURPOSE

In this lesson you will discuss how products (goods) get from the producer to the consumer.

INTRODUCTION

Few people or business firms buy things directly from the producer (factory or manufacturer). Most products that you buy for your family or for your business will be bought from retailers or wholesalers. You should know some of the jobs that these retailers and wholesalers do. In addition, you should know some of the different paths that products can take when they flow (move) from the producer to the consumer.

7. Read Section 1 of the Readings. Show Projectual MKT5-1, "Channels of Distribution", as you read this section. Discuss each subsection and ask students to provide examples.

CONTENT

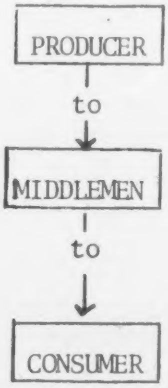
1. What is a Channel of Distribution?

   a. Definition
   The path that a product takes from the time it leaves the producer until it is in the hands of the final consumer is called a CHANNEL OF DISTRIBUTION.

   The people or businesses that handle the product as it moves from the producer to the consumer are called MIDDLEMEN. They handle the goods from the time they leave the producer until they reach the consumer.

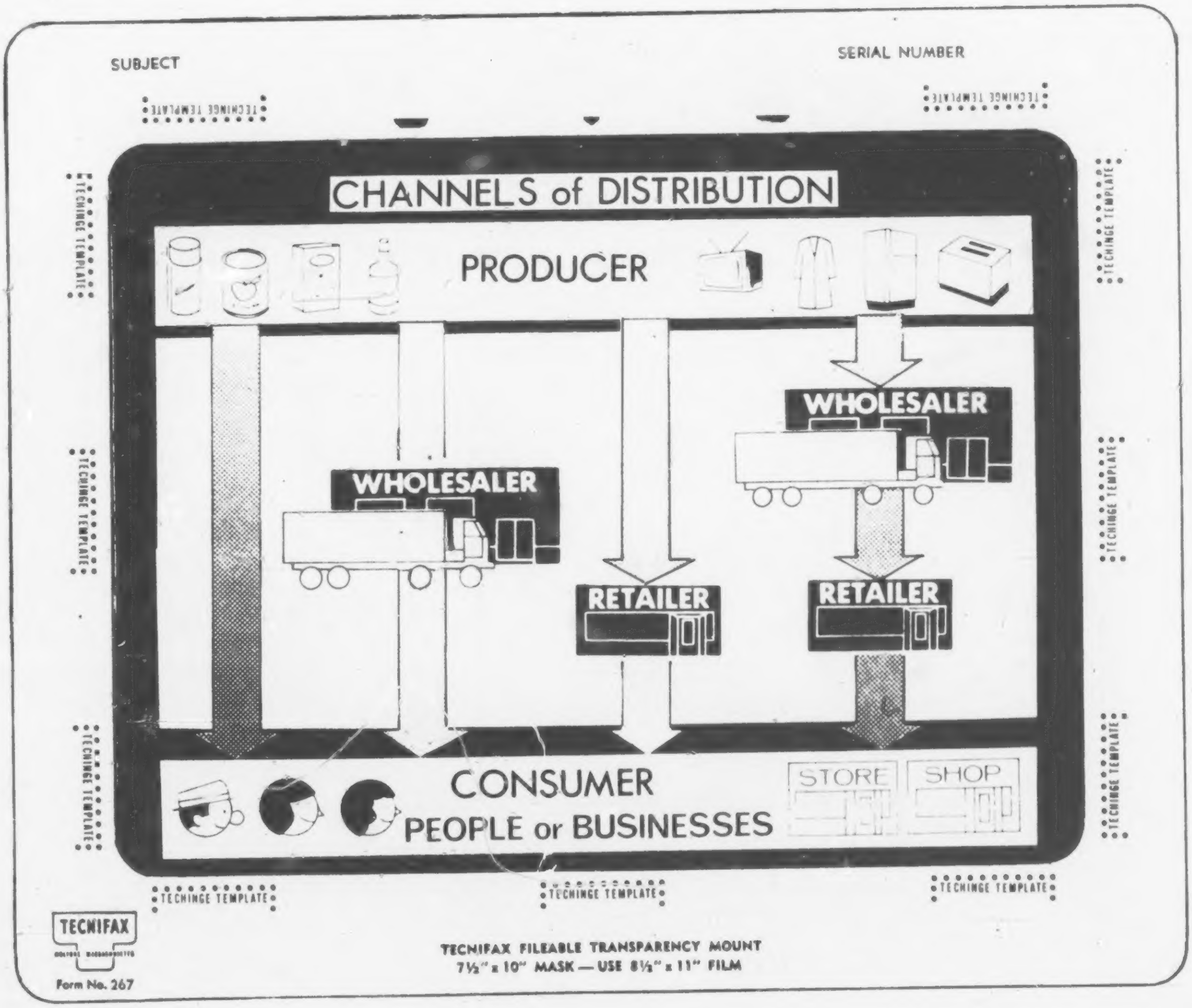
   A typical channel of distribution may be shown as follows:

Goods move from



MKT5

MKT5-1 CHANNELS OF DISTRIBUTION

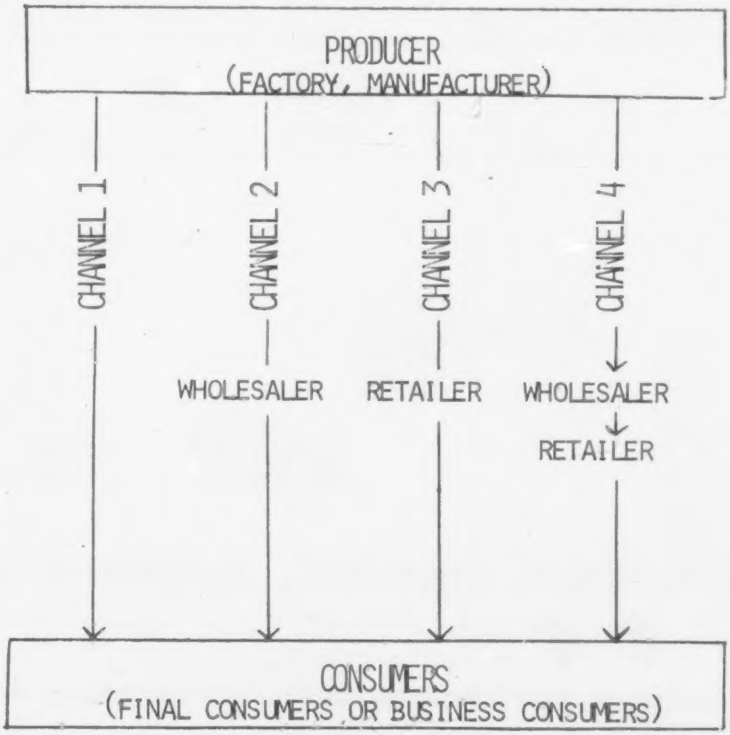

SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
CHANNELS of DISTRIBUTION
PRODUCER
WHOLESALER
WHOLESALER
RETAILER
RETAILER
CONSUMER
PEOPLE or BUSINESSES
STORE
SHOP
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

b. Types of Middlemen
The most common types of middlemen are WHOLESALERS and RETAILERS.

(1) A WHOLESALER buys products from producers and sells them to retailers or other businesses.

(2) A RETAILER buys products from producers or wholesalers and sells them to end or final consumers.

c. Different Channels of Distribution
There are many different paths or channels for the product to follow when it goes from the producer to the consumer. Some of the most frequently used channels of distribution are:


PRODUCER
(FACTORY, MANUFACTURER)
CHANNEL 1
CHANNEL 2
CHANNEL 3
CHANNEL 4
WHOLESALER
RETAILER
WHOLESALER
RETAILER
CONSUMERS
(FINAL CONSUMERS OR BUSINESS CONSUMERS)

(1) Channel 1

From producer ⟶ direct to ⟶ consumer

This channel, when it is used, is used mostly by business consumers. Very few final consumers buy directly from the producer. For example, when you buy products for your family you will hardly ever buy directly from the producer. On the other hand, if you manage a business you may buy products directly from the producer. No middlemen will be involved in that case.

(2) Channel 2

From producer ⟶ to wholesaler ⟶ to consumer

This is the most common channel used by business consumers. Very few final consumers buy directly from wholesalers.

If you manage a business you will probably buy products from a wholesaler. Wholesalers usually sell only to businesses and, unless a person has a business licence, he will have a hard time trying to buy straight from a wholesaler. In recent years there has been a trend towards wholesale or discount houses which sell directly to the public at low prices.

(3) Channel 3

From producer ⟶ to retailer ⟶ to consumer

This channel is used mainly by final or end consumers. Most final or end consumers buy products from retailers. Retailers may buy directly from producers.

(4) Channel 4

From producer → to wholesaler → to retailer → to consumer

This is the most common channel of distribution for final or end consumers like you and I. Most products are handled by wholesalers and retailers before they get to individuals and families.

As you can see, there are several different ways products can flow from producers to consumers. In most cases middlemen are involved in the distribution process, but in some cases they are not.

If you operate a retail business, you will have to decide from whom to buy your products (for resale). You will probably buy most of your products from wholesalers.

If you run a production business you will have to decide to whom you will sell your products. Will you sell directly to the people? Or will you sell through wholesalers or retailers, or both?

Indicator

8. Ask each student to write in his own words his definition of middlemen and channels of distribution. Review the material if necessary.

OBJECTIVE 2: THE STUDENTS WILL BE ABLE TO LIST THE MAIN JOBS PERFORMED BY WHOLESALERS AND BY RETAILERS.

Stimulus

1. Write the following statement on top of the flip chart - "Middlemen Don't Do Any Good - They Just Make Prices Higher For the Consumer".

Clarify Problem

2. Discuss above statement. Develop lists of the advantages and disadvantages of Middlemen. Refer back to Projectuals MKT1-1 and MKT1-2 to help in making these lists.

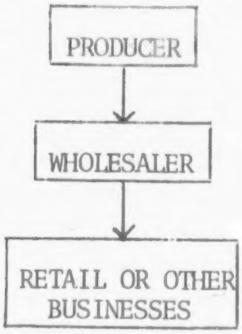
3. Read Sections 2 and 3 of the Readings.

2. What Purpose Do Middlemen Serve?

Many people ask, "Why do we have middlemen? What useful purpose do they serve?" Some people think prices would be a lot lower if there weren't any middlemen. What do you think?

Actually middlemen do some important jobs. Prices might even be higher if it weren't for middlemen.

a. Useful Jobs Performed by Wholesalers (Middlemen)
Wholesalers usually buy from producers and sell to retailers or other businesses. The following diagram shows this process:


PRODUCER
WHOLESALER
RETAIL OR OTHER BUSINESSES

Wholesalers perform the following important functions:

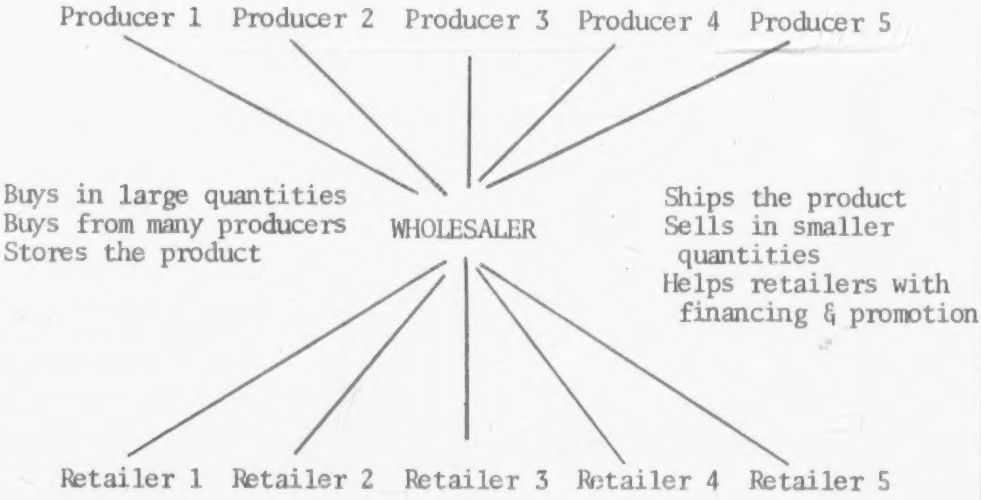
(1) They buy from many producers (therefore they have a wide selection of merchandise), and they buy in large quantities (therefore prices are usually lower);

(2) They store and transport the products;

(3) They sell the products in smaller, more convenient quantities to retailers or other businesses;

(4) They often help retailers with financing and promotion.

These functions are shown in the following diagram:


Producer 1
Producer 2
Producer 3
Producer 4
Producer 5
Buys in large quantities
Buys from many producers
Stores the product
WHOLESALER
Ships the product
Sells in smaller quantities
Helps retailers with financing & promotion
Retailer 1
Retailer 2
Retailer 3
Retailer 4
Retailer 5

Without wholesalers, each retailer would have to buy from many different producers. Since any one retailer usually buys in small quantities, he would likely have to pay a higher price. He would have to store most of the product, which would be costly. He would also have no help with financing or promotion. Therefore, prices would very likely be higher if the wholesaler were eliminated. The wholesaler also makes things a lot more convenient for the retailer, who can get a wide variety of products by going to one wholesaler. It is simpler to deal with one wholesaler than with 10 or more different producers. Wholesalers are very important middlemen. When you are in business you will likely buy most of the products your business needs from wholesalers.

b. Useful Jobs Performed by Retailers

Retailers are very important businesses in our economy. Most products that individuals buy are bought from retailers (for example, food, clothes, cars, gas, etc.).

Retailers perform the following important functions:

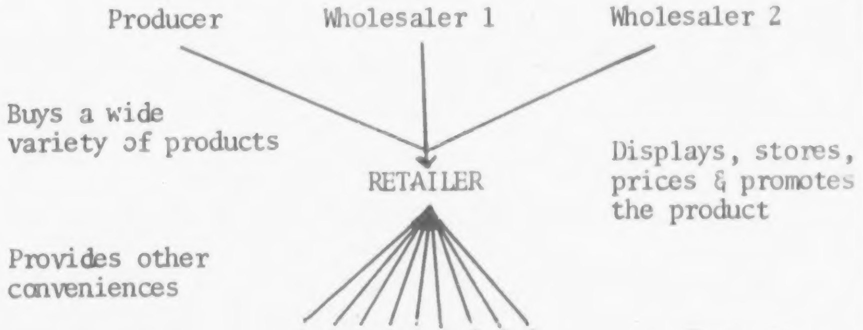
(1) They store a wide variety of products from which the consumer may choose;

(2) They price the products, provide delivery, and perform other services;

(3) They provide the consumer with information about products (through advertising and salesmen);

(4) They bring the right products to a place that is convenient to the customer.

These functions are shown in the following diagram:


Producer
Wholesaler 1
Wholesaler 2
Buys a wide variety of products
RETAILER
Displays, stores, prices & promotes the product
Provides other conveniences
Consumers

It would be very inconvenient if you had to go to 50 different producers or wholesalers to buy the things you and your family need.

It is much easier to go to one (or two) nearby retail businesses and get all the products you need. Retailers make shopping much more convenient.

3. Summary

Channels of distribution are made up of middlemen who do the jobs needed to get products from producers to consumers.

Middlemen are very important. They make buying more convenient (and in most cases less expensive) for both business consumers and final or end consumers.

4. Discuss the Readings. Students sometimes have difficulty in seeing that wholesalers can actually reduce prices. Students should look at all the jobs which are done by wholesalers. If there were no wholesaler, who would do the job? Could it be done cheaper by someone else? In most cases, the costs of the retailer and the producer would go up if they were to perform the jobs which are done by wholesalers.

5. Arrange a tour of one or more different wholesale businesses with which students may later do business (grocers, hardware, etc.). Arrange, if possible, for students to be able to ask questions after the tour.

Indicator

6. Ask each student to list four main jobs of a wholesaler and of a retailer.

SUBJECT BUSINESS LAW

LESSON BL7 SPECIAL CONTRACTS: THE SALE OF GOODS

INSTRUCTOR'S GUIDE

OVERVIEW

The content of this lesson covers a wide scope of the law governing contracts of sale. The lesson deals briefly with the absolute or ordinary sale, conditional sale, bill of sale, chattel mortgage and bulk sale.

It is suggested that the instructor who is not too familiar with this field review the reference material suggested.

The lesson content will be easier for the students to learn if the instructor provides examples to illustrate the different types of sale contracts. Using actual examples can make the material easier to understand and more relevant to the students' needs.

It is important that the students recognize that they can only have a passing acquaintance with this field of law and that they will need the help of a lawyer in drawing up any involved contracts.

OBJECTIVE

The students will be able to identify types of sales contracts and they will be able to show how to protect themselves in each type of sales contract.

REFERENCE MATERIAL FOR INSTRUCTOR

1. Anger, W.A. Summary of Canadian Commercial Law. Toronto: Sir Isaac Pitman (Canada) Ltd., 1962, pp. 236-288.

2. Chapman, F.A.R. Fundamentals of Canadian Law. Toronto: McGraw-Hill Co. of Canada Ltd., 1965, pp. 179 - 204.

RESOURCES REQUIRED

1. The following legislation from your province:
    a. Conditional Sale Act
    b. Bulk Sale Act
    c. Bill of Sale Act
    d. Chattel Mortgage Act
2. Resource person - lawyer or other person knowledgeable about contracts.

METHODOLOGY

1. Hand out the Readings; read and discuss the Purpose and Introduction.

PURPOSE

This lesson will briefly review four different legal approaches to the sale of goods, plus one way of taking security on a chattel.

INTRODUCTION

Regardless of the type of business in which you will be involved, it is likely to include the sale of some merchandise or goods. Throughout the course the idea of sale of merchandise has been discussed. But so far we have not been concerned with the legal aspects of the sale of goods. This lesson deals with the provisions which provide for the protection of the vendor (seller) and the buyer.

The sale of goods is actually a contract. It is sometimes called a special contract since it deals with a specific area.

In this lesson you will discuss contracts that deal with the methods of transferring ownership of goods from the vendor to a purchaser.

Since each sale a businessman makes is a contract, it is important for the businessman to know the various aspects of making sales and the ways he might protect himself.

The lesson will consider the four main classes of sales with which the businessman should be concerned.

OBJECTIVE: THE STUDENTS WILL BE ABLE TO IDENTIFY TYPES OF SALES CONTRACTS AND THEY WILL BE ABLE TO SHOW HOW TO PROTECT THEMSELVES IN EACH TYPE OF SALES CONTRACT.

Stimulus

2. Ask students:

   a. "If you purchase a used car from someone, are you assured ownership of the car if you get possession?"

   b. "If you purchase the inventory of a 'going' business, are you assured of getting clear title to the goods?"

Clarify Problem

3. Discuss the two questions. Students may have had experience related to either of these questions and should be encouraged to share their experiences.

   Instructor should make sure students distinguish the difference between ownership and possession. A person may own and possess some goods. He may own goods but not have physical possession, or he may have physical possession and not own the goods.

Provide Information

4. Read Sections 1 and 2.

CONTENT

1. Types of Sales Contracts

   The four classes of contracts which deal with sale of goods are:

a. absolute sale (ordinary sale)
b. conditional sale
c. bill of sale
d. bulk sales

The chattel mortgage affects a change of ownership in goods and is quite similar to the bill of sale except that it is normally for the purpose of security on a loan.

2. Absolute Sale (Ordinary Sale)

The law governing the sale of goods is a branch of contracts. Since there are some special rules regulating the sale of goods, each province, except Quebec, has enacted legislation regarding sale of goods.

a. Definition

An absolute sale or ordinary sale occurs when the seller transfers or agrees to sell the ownership of goods or merchandise to a buyer for a money consideration.

(1) If the transfer of ownership occurs immediately the transaction is called a sale.

(2) If the transfer of ownership takes place at a later time, the transaction is called an agreement to sell. The sale does not take place until a specified time or until a specific condition is fulfilled.

The ownership of the goods is an important consideration since, in case of the loss of the goods, one must know whether the vendor or the purchaser is the owner of the goods. It is the intention of transfer which is important - when was the ownership intended to be transferred. If a car dealer sells a person a car and is paid, there is no doubt that the ownership is intended to be transferred immediately. If the car dealer sells a person a car with the understanding that it will be painted before the purchaser receives it, the ownership is still with the car dealer unless they agree otherwise.

Loss of goods is normally the seller's loss until ownership has passed to the buyer. Then the buyer has the risk, whether or not delivery has taken place.

This brief discussion of the ordinary sale does not cover the topic completely; also included are the delivery of goods (time, place, quantity), acceptance of goods, payment price and the actions which could be taken if the contract is not honoured by either seller or buyer. However time does not permit going into these topics in detail.

5. Discuss the ordinary sale and relate to the conditions of a contract. Students should see that each sale in a store is in fact a contract. Since transfer of ownership and possession occurs immediately, there is usually no problem.

   Ask students: "How can a seller of a television who sells with only a small down payment protect himself against non-payment for the television?" Discuss.

6. Read Section 3 of the Readings.

3. Conditional Sale

A conditional sale is made by a seller to a buyer with the understanding that ownership does not pass to the buyer until a specific condition is fulfilled. Usually the buyer receives the goods and has possession of the goods but he does not have ownership until the condition is carried out.

The most common type of conditional sale is that in which the ownership remains with the seller until the price is paid. Very often this may involve payments of the goods by instalments.

The conditional sale is often used in the sale of manufactured goods, cars, machinery, household and office furniture. The conditional sale permits the seller to give the buyer some credit terms without giving ownership. If payment is not made, it is easier to get the goods back than with some of the other sales methods.

There are various types of conditional sales.

a. The lien note method is a promise to pay a stated price by instalments with ownership remaining with the seller. It provides for the risk of loss of goods to be carried by the buyer and it further provides that should payment not be made, the buyer is responsible for any expense involved in giving the seller possession of the goods. It usually provides that the seller can re-sell the goods and if the sale price is not enough, he can go back to the original buyer to make up the difference.

b. Another type of conditional sale is the hire-purchase agreement. The buyer agrees to hire or rent the goods with an option to purchase the goods at a fixed price at the end of the lease period. The payments of rent are then applied to the purchase price. If the rent is not paid, the seller gets possession of the goods.

The conditional sales contract must be in writing. The contract must also be registered in a special office of the government.

It is important before buying used goods, cars, etc., to check in this office to see if the goods are registered as having been originally sold under a conditional sales contract. For instance, if you buy a used car from an individual you should check to see if the seller actually owns the goods. He may have possession because he is buying under conditional sales but he may not have ownership so he is not allowed to sell the goods as if he owned them.

If a conditional sale exists but it is not registered, the person buying the goods would have lawful ownership and the original seller would be in trouble. If, however, the goods are registered and the second buyer does not check for a registration, he may pay for goods to which he cannot get ownership since the goods are still owned by the original seller.

7. Discuss Section 3. Students should see that under a conditional sale where the ownership remains with the seller, it is possible to repossess a car or television even if it is on the reserve. (Section 89 (2) of the Indian Act.)

   This can be important for students who, in the course of business, will deal with people on reserves.

8. Read Section 4 of the Readings.

4. Bill of Sale

The piece of paper which a buyer receives when he makes a purchase is called a sales slip or a receipt. The bill of sale is a more formal document which is required when someone buys something but does not receive possession immediately. For example, if you buy a car for cash from someone but you decide to leave the car with the seller for two weeks more, you need some proof that you have purchased the car.

There is a possibility that the seller of the car would try to sell the car to someone else, in which case, you need proof that you are the real owner of the car even if you do not have possession.

A bill of sale is not needed when ownership and possession are both transferred immediately as is the case in most sales. The contract of sale is enough. A bill of sale is necessary only if the seller keeps possession of the goods for some reason. The bill of sale is necessary because the person in possession of the goods appears to be the owner of them.

To be legal, a bill of sale must be in writing and it must be registered with the office responsible for this in each province. It must be signed by the seller and witnessed by the buyer and another witness.

It is important to note that the person who buys goods against which there is a registered bill of sale will have to return the goods to the true owner. The search for a registered bill of sale is therefore important.

9. Discuss Section 4. Students should see the bill of sale as a means of protection when goods are purchased but physical possession is not immediately obtained.

10. Read Section 5 of the Readings.

5. Chattel Mortgage

The chattel mortgage is very much like the bill of sale. It is a document which is given by a borrower to a lender when certain goods are taken as security. Let us take the example of a person who owns a car worth $1,000.00. Suppose the car is fully paid for, and the owner wants to borrow some money against the car. The chattel mortgage is the document which gives the lender of the money the ownership of the car in return for the loan. The possession would remain with the borrower.

To protect himself against the possible sale of the car to someone else, the lender must do the same as with the bill of sale. He must register the chattel mortgage with the appropriate office in each province.

The chattel mortgage document states the payments which must be made to pay off the loan. In case the payments are not made, the lender has the right to enter the borrower's premises, seize the goods, to sell them and to sue the borrower if the price is not sufficient to pay off the loan. The lender must however give the borrower 20 days in which he has the opportunity to redeem the goods.

11. Discuss Section 5. Students should see that the chattel mortgage is not a contract of sale in the usual sense but it does provide for a change in ownership.

12. Read Section 6 of the Readings.

6. The Bulk Sale

The bulk sale is a special type of sale which is of interest to anyone who is purchasing an existing business. The bulk sales contract is a contract to buy either a part or the entire stock or inventory of a business.

The purpose of the Bulk Sales Act is to prevent a person (merchant or other type of business) from selling his inventory or stock in bulk so as to leave his creditors unpaid. The Act prevents the seller from retaining the money which he owes to creditors and it prevents him from paying some creditors and not others. The Act provides for a fair distribution among the different creditors.

It is the buyer's responsibility to see that the creditors are paid. The method of dealing with the purchase of bulk stock of an existing business is to obtain from the seller a sworn list of names, addresses and amounts owing to all creditors.

If the amount of money paid for the goods is not enough to pay the creditors then the creditors must consent to the sale or the purchase price must be given to a trustee (lawyer or someone else) who will distribute the money among the creditors.

13. Discuss Section 6. Students should consider the effects of the Bulk Sales Act if they were to purchase an existing business.

14. Read Section 7 of the Readings.

7. Summary

The above discussion of the classes of contracts which deal with the sale of goods is only an introduction to these topics to give you an idea of the types of sales which exist.

A lesson in this course cannot cover all that there is to know about these topics. Should you have problems in these areas, it is best to consult a lawyer who will provide the information required to prevent you from making very costly mistakes.

Indicator

15. Have students discuss the type of special sales contract which might be involved in each of the following:

  a. You purchase a used car and pay for the car in cash.

     This is an ordinary sale, but the purchaser should search the appropriate office in his province to determine if there is a conditional sale, bill of sale, or chattel mortgage registered against the car.

  b. You purchase a 50% interest in a general store.

     The buyer must comply with the Bulk Sale Act. The Act puts the onus on the buyer to obtain a declaration about the creditors of the business and to ensure that the creditors are not defrauded.

  c. You purchase your neighbour's truck for $600.00 cash with the understanding that he can still use it for 2 months until he finished the work he has started.

     The buyer must obtain a bill of sale if the truck is purchased for cash. This bill of sale must be registered if it is to protect the purchaser against the possible sale of the truck to someone else.

  d. Your neighbour owns a car valued at $1,200.00 which he has paid for in full. He needs $600.00 in a hurry and approaches you for the money. What type of document should you prepare to give you security for the $600.00 you loan him.

The lender must obtain a chattel mortgage which leaves the possession of the car with the neighbour but gives ownership to the lender. The chattel must be registered. When the loan is paid off, the lender returns the ownership of the car to the neighbour.

e. Ask students for examples of other situations and let them determine the type of sales contract they would use and how they would protect themselves.

16. The instructor can make arrangements for a lawyer or other person who is knowledgeable about contracts to act as a resource person in the near future, at which time the students could discuss the whole area of contracts. An alternative is to leave the visit of the resource person to the last Business Law lesson and have students discuss all aspects of business law. Another approach is to get a resource person in now for a discussion of contracts and another later for a discussion of other aspects of business law.

SUBJECT MARKETING

LESSON MK16 PURCHASING

INSTRUCTOR'S GUIDE

OVERVIEW

Purchasing is an important function in any business which handles products. Whether the business buys for resale or for its own use in a manufacturing operation, the problems of buying the right quality and quantity, at the right price and time, is ever present.

This lesson introduces the students to the terms and forms used in purchasing. The students should realize that a lot of knowledge and skill are involved in doing a good job of purchasing. As future businessmen who will be involved in purchasing, they will need to study the needs of their customers. Often, help will be available from the wholesaler who has extensive experience. However, there is no substitute for the personal knowledge which the businessman must acquire about the needs of his customers. The sales of the businesses will depend on the businessman's ability to purchase the products he needs at the right price at the right time.

OBJECTIVES

1. The students will discuss the factors that must be considered in purchasing merchandise for resale.

2. The students will correctly complete a purchase order form.

REFERENCE MATERIAL FOR INSTRUCTOR

1. England, Wilbur B. The Purchasing System. Homewood, Illinois: Richard D. Irwin, 1967, chs. 1, 2, 3, 5, 6, 7, 8, 9, 10, 11.

2. Kelley, Pearce C. et al. How to Organize and Operate a Small Business. 4th ed. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1968, pp. 330 - 351.

RESOURCES REQUIRED

1. Projectual MKT6-1, "The Buying Jobs"
2. Blank purchase order form (1 for each student). Obtain from a wholesaler.

METHODOLOGY

1. Do not hand out the Readings immediately.

OBJECTIVE 1: THE STUDENTS WILL DISCUSS THE FACTORS THAT MUST BE CONSIDERED IN PURCHASING MERCHANDISE FOR RESALE.

Stimulus

2. Ask the students to volunteer personal knowledge of situations where small businesses got into trouble because they did not know very much about purchasing.

   Ask: "What are some important factors which you would take into consideration if you were buying merchandise for your small business?" List the suggestions on the flip chart.

Clarify Problem

3. Show Projectual MKT6-1, "The Buying Jobs".

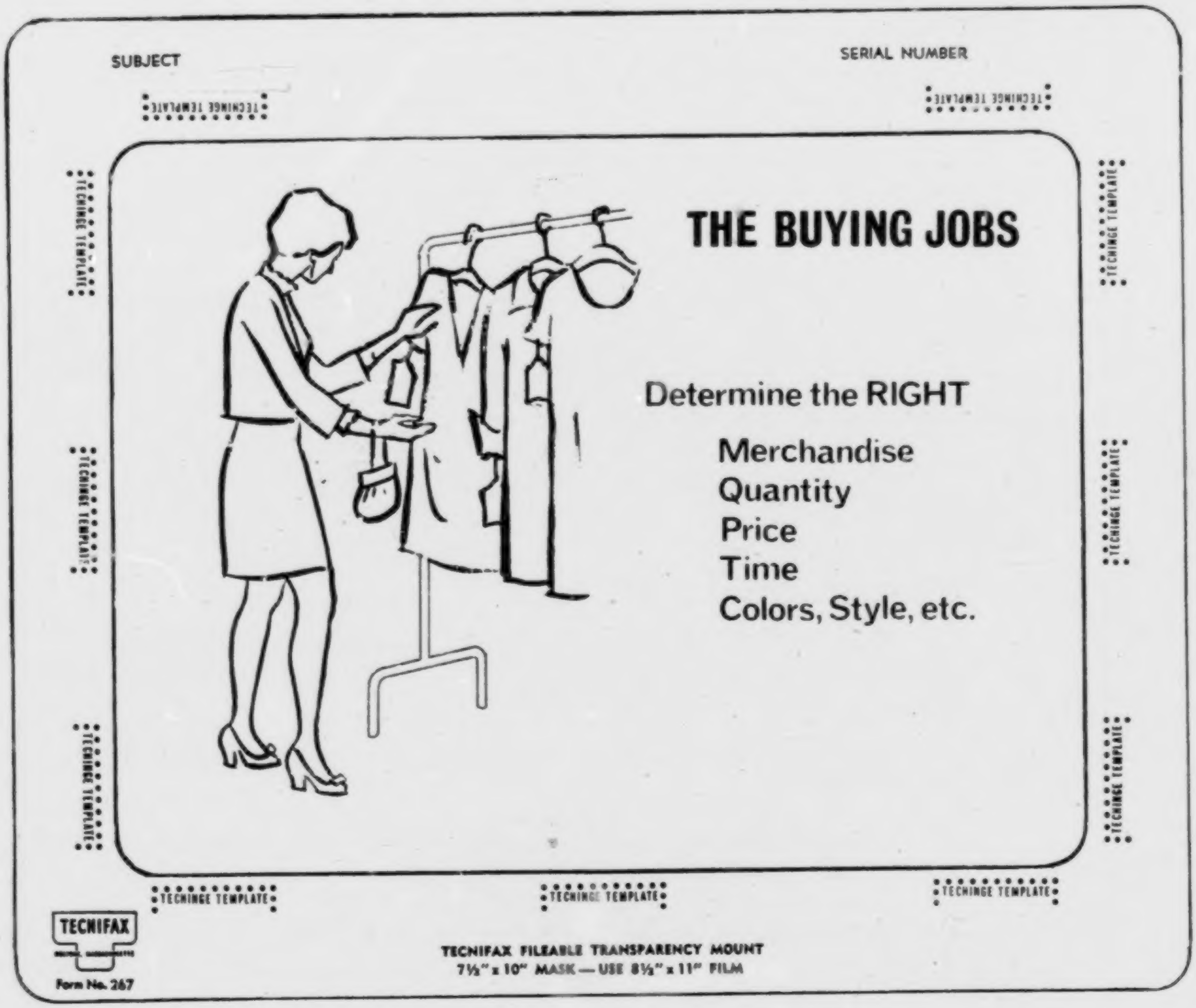
   Discuss the buying jobs, relating them to the points made by the group.

Provide Information

4. Hand out the Readings and read the Purpose and Introduction.

MKT6

MKT6-1 THE BUYING JOBS


SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

THE BUYING JOBS

Determine the RIGHT

- Merchandise
- Quantity
- Price
- Time
- Colors, Style, etc.

PURPOSE

In the lesson you will learn some ways to decide what merchandise you should purchase, where and when it should be purchased, and how you should order it.

INTRODUCTION

Knowing what merchandise to buy, how much, from whom and when to buy it are vital to the operation of a small business.

It is very important to avoid mistakes when ordering merchandise. If products are not available when customers want them, customers may go elsewhere. In addition, it is costly to have to store large amounts of slow-moving merchandise. Usually the owner-manager of a small business buys goods for resale in moderate amounts. He does this because he is not likely to have enough money to keep large amounts of merchandise on hand.

5. Read Section 1 of the Readings.

CONTENT

1. Buying the Right Merchandise

When you are managing a business make sure you know what your customers need and want. You will not sell very much unless you have the products your customers want.

Here are some questions you should ask yourself when buying merchandise:

a. Will my customers see that the merchandise is useful to them?
b. Is the merchandise of good quality?
c. Does the supplier have a good reputation?
d. Is the price of the merchandise reasonable?

6. Ask students if there are additional factors which they should consider in buying merchandise.

Some additional points that may be considered when buying merchandise:

a. the profit potential of merchandise
b. the sales support needed
c. the suitability of the merchandise in respect to other products being sold.

7. Read and discuss Sections 2 and 3 of the Readings.

2. Buying Merchandise at the Right Time

a. Basic Merchandise
This merchandise must be on hand in the business all the time. For example, in a grocery store you should always have some bread, milk and butter on hand.

b. Seasonal Merchandise
This merchandise is bought only at a certain time of the year because it can be sold only at certain times. For example, in any type of store you would not purchase Christmas trees for sale during the summer months.

It is your responsibility as manager to plan ahead when buying from suppliers. This means that you should be sure you always have enough of the basic merchandise on hand to meet customer needs. You should also plan your orders of seasonal merchandise so that it arrives and is available for sale at the most appropriate time of the year.

3. Buying Merchandise at the Right Place

There are two main suppliers of merchandise for you to choose from: a manufacturer or a wholesaler. You must choose the supplier that can give you the quality of goods that your customers will buy, can offer the lowest prices and terms of sale, and will provide the most dependable delivery to your business.

a. Buying from Manufacturers

Advantages

(1) The merchandise may be fresher and the styles newer. Because they are always in touch with managers like yourself, manufacturers try to change their merchandise to suit the most recent customer needs.

(2) When you deal directly with the manufacturer you will be eliminating the wholesaler's profit and sometimes you get quicker delivery.

(3) If you want special merchandise it is better to go to the manufacturer. A wholesaler does not usually carry special merchandise because he must deal with many different businesses.

b. Buying from Wholesalers

Advantages

(1) You can get a wide variety of merchandise from wholesalers. The wholesaler buys merchandise in large quantities from many different manufacturers because he gets discounts for large orders. The wholesaler then sells this merchandise in smaller quantities to small businesses.

(2) With some merchandise, the wholesaler does the same job for your business as you do for your customers. That is, when wholesalers buy from the manufacturers, they select what they think you can sell and then store it for you until you want to buy it. This is both convenient for you and helps to reduce your costs.

(3) Wholesalers tend to give small businesses extra services not normally offered by manufacturers.

Some examples are:

(a) easy credit terms
(b) bookkeeping assistance
(c) providing personal services through salesmen
(d) providing the manager with reliable information about the market potential of various products.

Indicator

8. Ask students what factors they would consider in buying clothing for a general store? for a clothing store?

Ask what factors they would consider in buying supplies for a tourist camp? purchasing stock for a remote community general store?

OBJECTIVE 2: THE STUDENTS WILL CORRECTLY COMPLETE A PURCHASE ORDER FORM.

Stimulus

1. Ask students what essential information they would include on a purchase order to a wholesaler.

Clarify Problem

2. List students suggestions on a flip chart and discuss.

Provide Information

3. Read and discuss Sections 4 and 5 or the Readings.

4. How to Buy the Merchandise

Orders are placed by use of a purchase order. A purchase order is a legal contract between you and your supplier, whereby the supplier agrees to sell you certain items of merchandise.

On looking over his merchandise, John Thomas, the owner-manager of a small store in Willow Point found he was low on a few grocery items. He made out a purchase order as shown on the following page.

A purchase order should provide the following information:

a. Date: Write in the date the order is filled out.

b. Order Number: You fill this number in yourself. You will usually start with ORDER NO. 1 on your very first order, then No. 2 on the second order, etc.

c. Ship To: Write the name of your business and your address,

Example: Ship To:
John Thomas Store
P.O. Box 29
Willow Point, Manitoba

d. To: Write the name of the supplier you are buying the merchandise from,

Example: To:
Western Groceries
1200 Main Street
Winnipeg 2, Manitoba

PURCHASE ORDER

(a) Date June 10, 19-
(b) Order No. 20

(c) Ship To John Thomas Store
P.O. Box 29
Willow Point, Manitoba

(d) To: Western Groceries
1200 Main Street
Winnipeg 2, Manitoba

(e) Date Required June 16, 19-
(f) Ship Via Walter Trucking Company
(g) F.O.B. Winnipeg
(h) Terms 1/10 net 30

(i) Please Take My Order for the Following:

Quantity	Code	Description	No/Wt	Price/Case	Total
1 case	01-0620	Cow Brand Baking Soda	24/1	4.80	4.80
1 case	01-2240	Aunt Jemima Reg. Pancke Flour	12/2	5.18	5.18
6 cases	01-2715	Five Roses Flour	10/2½	3.20	19.20
1 case	17-7250	Heinz Tomato Catsup - tins	24/19	7.75	7.75
1 case	27-3579	Heinz Sweet Mixed Pickles	12/32	7.60	7.60
					$ 44.53

(j) John Thomas
(Signature)

e. Date Required: Delivery dates are important because your merchandise must arrive before your customers need or want to buy it. Ordering your supplies early will give the supplier a chance to meet your deadline.

f. Ship Via: Here you should tell the supplier how you want your goods sent to your business:

(1) Air - (C.P. Air)
(2) Rail - (C.N. Rail)
(3) Truck - (Walter's Trucking Company)

g. F.O.B. (Free on Board): When merchandise is ordered, it must be decided who will pay the shipping costs. There are three ways merchandise can be shipped:

(1) F.O.B. Supplier's Shipping Point (Example: F.O.B. Winnipeg). The supplier is responsible for the goods until they are delivered to or picked up by the transportation company. The responsibility for the goods passes to you and you must pay the freight charges from there to your business.

(2) F.O.B. Your Business (Example: F.O.B. John Thomas Store) The supplier pays all the transportation charges and is responsible for the goods until they arrive at your business.

(3) F.O.B. Your Town (Example: F.O.B. Willow Point) The supplier pays all the freight charges to the town that you have your store in. When the goods arrive in the town the responsibility for the goods passes to you and you pay for the delivery charges (if any) from the station to your business.

h. Terms (Suppliers' terms of Sale): This refers to the length of time that suppliers give you to pay for merchandise.

For example, if the terms are "1/10 net 30" and the invoice is dated June 10, this means you may take off 1% of the total bill if it is paid within 10 days (or by June 20); if you you do not take advantage of the 1% discount, you must pay the total bill in 30 days (or by July 10.)

Usually you know what the suppliers terms of sale are before you decide to buy the goods from him. But sometimes you can negotiate the terms with him to suit your needs.

i. Quantity, Code, Description, Price, Total: This is the main part of the purchase order form. In this section you should state the name and code of the item, the quantity required and the size of boxes, tins, or bottles, the price of each item and the total price.

j. Signature: You must sign the purchase order form so that if it is accepted by the supplier it becomes a legal contract. In case of a dispute, the signed purchase order can be used as evidence in court.

5. Summary

In lesson MKT4, "The Right Product and Right Service"., you discussed the need to determine the types of products to stock and the value of providing good service to your customers. In this lesson you have had the opportunity to discuss what to order, where to order, when to order and how to order. It is important that you carefully plan each one of these things to ensure that you have the proper goods available for sale when they are needed.

Ordering may seem like a simple matter but unless handled properly, errors can result. Errors could mean that you do not have certain goods available for sale when they are needed and customers go elsewhere. Errors can also be costly if you receive (and must pay for) large amounts of slow-moving goods and store them for long periods of time.

Proper management of purchases can help your business to be more successful.

Indicator

4. Refer students to the blank Purchase Order form in the Readings or provide them with a form obtained from a wholesaler. Have them fill out the form with the following information:

a.	Date:	Today's date
b.	Order No.:	12
c.	Purchaser:	John's Store Poplar Point, Manitoba
d.	Supplier:	Scott's Wholesaling Co. 2020 Downing Street Winnipeg, Manitoba
e.	Date required:	10 days from this date
f.	Ship Via:	C & D Trucking, Winnipeg, Manitoba.

g. F.O.B. Poplar Point

h. Terms: 2/10, n/30

i

Quantity	Description	Price/unit	Total
7	shirts	$ 4.00/each	$ 28.00
2	boots	10.00/pair	20.00
6	pants	5.00/each	30.00
24 cans	beans	.20/can	4.80
12 tins	tobacco	2.50/tin	30.00
48 cans	milk	.25/can	12.00
			$124.80

NOTE: Students should be aware that they must give a complete description of shirts, boots and pants giving size, colour, style, etc. for each.

MKT6

PURCHASE ORDER

(a) Date (today's date)

(b) Order No. 12

(c) Ship to John's Store
Poplar Point
Manitoba

(d) To: Scott's Wholesaling Co.
2020 Downing Street
Winnipeg, Manitoba

(e) Date Required (10 days from today's date)

(f) Ship Via C & D Trucking

(g) F.O.B. Poplar Point

(h) Terms 2/10, n/30

Please Take My order For The Following:

(i) Quantity	Description	Price/unit	Total
7	shirts	$ 4.00/each	$28.00
2	boots	10.00/pair	20.00
6	pants	5.00/each	30.00
24 cans	beans	.20/can	4.80
12 tins	tobacco	2.50/tin	30.00
48 cans	milk	.25/can	12.00
		Total	$124.80

(j) John Goodvoice
Signature

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB13 BOOKKEEPING REVIEWED

INSTRUCTOR'S GUIDE

OVERVIEW

The student has been away from FAB lessons for a period of time. This lesson is to:

1. refresh the student on the bookkeeping techniques and principles studied to date;
2. show the total bookkeeping system as an integrated system, not just parts.

When doing this lesson and accompanying case, the student should be encouraged to review the lessons FAB3 to FAB12 on his own. Try to have the students explain, clarify, and help each other as much as possible, rather than having them rely on you, the instructor, to do these tasks.

OBJECTIVE

Given financial data about a business, the student will set up and use a set of books in order to prepare a Balance Sheet and a Profit and Loss Statement for that business at the end of a stated accounting period.

RESOURCES REQUIRED

1. Case FAB13-1, "Jacob Stone"
2. Lesson FAB3 to FAB11 Readings.

3. Projectual FAB13-1, "Bookkeeping Reviewed".

METHODOLOGY

1. Hand out Readings.
2. Read Purpose and Introduction and discuss.

PURPOSE

In this lesson you will review the bookkeeping practice you have learned in FAB lessons 4 to 11.

INTRODUCTION

It is sometimes said that the records of a business are the "eyes" of the business. Through his records, the businessman is able to see the financial position (how much is owned by the business and how much is owed by the business) at any point in time, and also determine whether or not the business has made or has lost money during a certain period of time. It is therefore important that you are familiar with and can use proper bookkeeping techniques.

OBJECTIVE: GIVEN FINANCIAL DATA ABOUT A BUSINESS, THE STUDENT WILL SET UP AND USE A SET OF BOOKS IN ORDER TO PREPARE A BALANCE SHEET AND A PROFIT AND LOSS STATEMENT FOR THAT BUSINESS AT THE END OF A STATED ACCOUNTING PERIOD.

Stimulus

3. Ask one of the students to briefly outline the bookkeeping cycle studied to date.

Clarify Problem

4. List the student's answers on the flip chart.

   Answers should contain the following:

   a. prepare opening balances
   b. journalize and post opening balances

c. prepare ordinary business transactions
d. journalize and post business transactions
e. take a Trial Balance
f. complete a Work Sheet
g. prepare the financial statements
h. journalize and post the closing entries
i. take a post-closing Trial Balance.

5. Show Projectual FAB13-1. (Point out each step listed in point 4 above as it is shown on the projectual.)

Provide Information

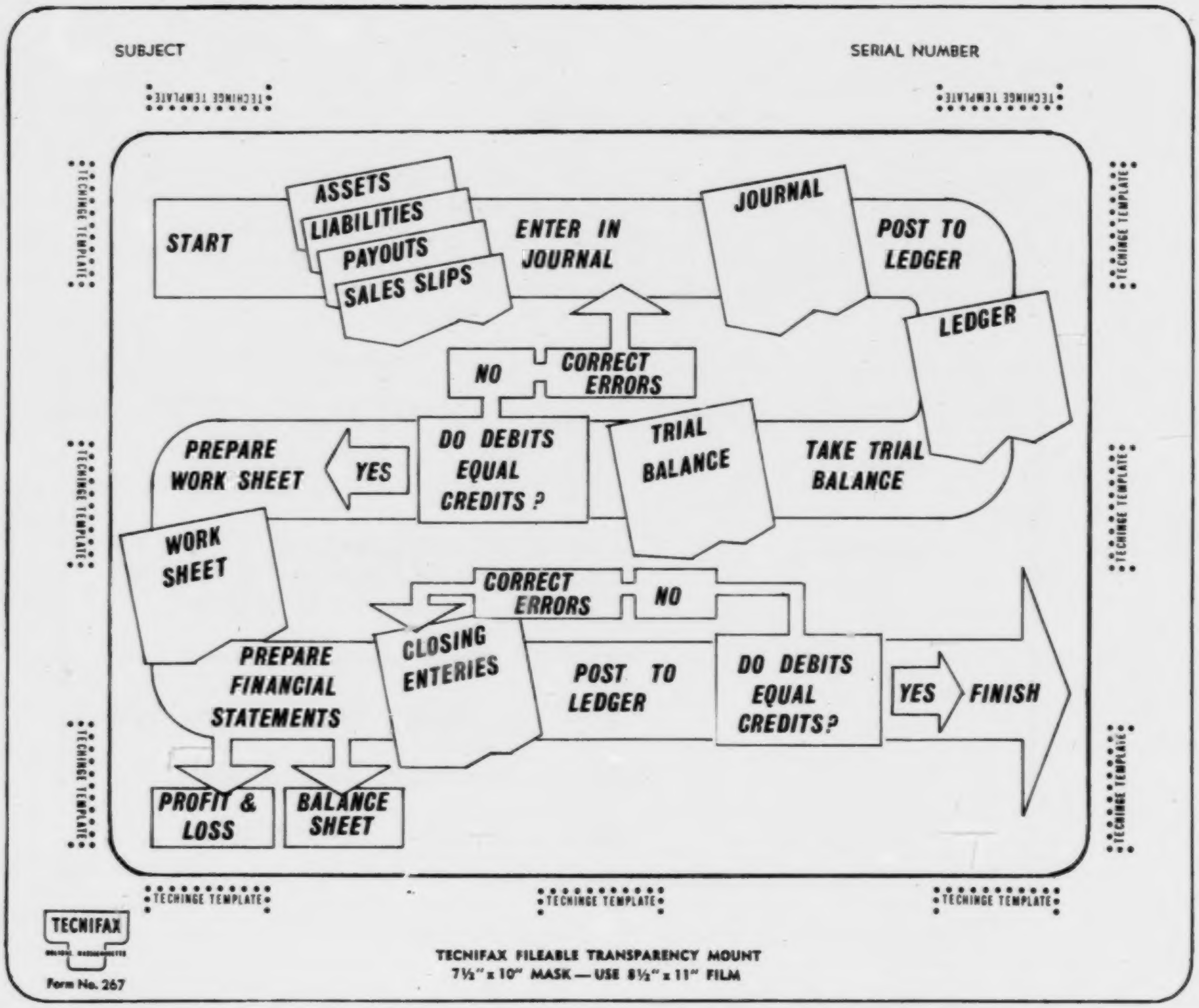
6. Read Sections 1 to 5 of the Readings.

After each section refer to the FAB lesson the student can look at in order to obtain additional information. If necessary read the appropriate lesson in order to clarify problem areas. Below is a cross-reference of the Readings section and the appropriate FAB lesson for additional information.

FAB13 - Readings Section	Previous FAB Lessons
Section 1	FAB3 - What Is a Business Worth? FAB4 - Starting the Bookkeeping System
Section 2	FAB5 - Recording Business Transactions FAB6 - Recording Revenues & Expenses FAB7 - Taking the Trial Balance
Section 3	FAB8 - Preparing the Work Sheet
Section 4	FAB9 - Elementary Profit & Loss Statement FAB10 - Elementary Balance Sheet
Section 5	FAB11 - Recording Closing Entries

FAB13

FAB13-1 BOOKKEEPING REVIEWED


SUBJECT
SERIAL NUMBER
START
ASSETS
LIABILITIES
PAYOUTS
SALES SLIPS
ENTER IN JOURNAL
JOURNAL
POST TO LEDGER
LEDGER
NO
CORRECT ERRORS
DO DEBITS EQUAL CREDITS ?
TRIAL BALANCE
TAKE TRIAL BALANCE
PREPARE WORK SHEET
YES
WORK SHEET
CORRECT ERRORS
NO
CLOSING ENTERIES
PREPARE FINANCIAL STATEMENTS
POST TO LEDGER
DO DEBITS EQUAL CREDITS?
YES
FINISH
PROFIT & LOSS
BALANCE SHEET
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECNIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

CONTENT

1. Analyzing Business Transactions

A business transaction is an exchange of values that causes changes in the assets, liabilities, or net worth of a business. Since transactions cause changes in the assets, liabilities, or net worth, they may be classified by the manner in which these items (assets, liabilities and net worth) are affected. When analyzing business transactions it would be wise to keep in mind the fundamental accounting equation:

ASSETS = LIABILITIES + NET WORTH

a. An asset increase is accompanied by one of the following:

(1) An asset decrease
(2) A liability increase
(3) A net worth increase.

b. A liability decrease is accompanied by one of the following:

(1) An asset decrease
(2) A liability increase
(3) A net worth increase.

c. A net worth decrease is accompanied by one of the following:

(1) An asset decrease
(2) A liability increase
(3) A net worth increase.

In actual business transactions, combinations of these fundamental types are commonly found. No matter what transaction takes place, the fundamental accounting equation (ASSETS = LIABILITIES + NET WORTH) must remain in balance.

It is easily seen that a system for recording the changes in the assets, liabilities or net worth must be set up. For this purpose an account is set up for each asset, for each liability, and for each net worth, and the changes are recorded in these accounts.

In bookkeeping an account is a device used to show the increases and decreases of some specific asset, liability, or net worth item. The account contains information about the business transactions that affected that asset, liability, or net worth item only. Exact information about any one item can then be obtained quickly from the information summarized in the account for that item.

When recording the information about a business transaction into a particular account, you must determine whether the transaction increased or decreased the value of that item. The conventional method for doing this is as follows:

a. Increases in assets are recorded on the left side of the account.

b. Decreases in assets are recorded on the right side of the account.

c. Increases in liabilities and net worth are recorded on the right side of the account.

d. Decreases in liabilities and net worth are recorded on the left side of the account.

In accounting the left side of an account is called the DEBIT side and the right side of an account is called the CREDIT side. Using the debit and credit sides of an account, the increases and decreases can be shown as follows:

WHEN TO DEBIT AND WHEN TO CREDIT

DEBIT (Left Side)	(Increases in Assets) (Decreases in Liabilities) (Decreases in Net Worth)
CREDIT (Right Side)	(Decreases in Assets) (Increases in Liabilities) (Increases in Net Worth)

The key to using the words "debit" and "credit" lies in remembering that debit means left and credit means right. To debit an account, the amount is placed on the left side of the account, and to credit an account, the amount is placed on the right side of the account.

Remembering that the fundamental accounting equation (ASSETS = LIABILITIES + NET WORTH) must always be in balance; it is easily seen that an increase must be balanced by an equal decrease.

The record of each transaction, called an entry, must always have debits equal to credits. This does not mean that each debit must be balanced by a credit of an equal amount, but the total debits for a given transaction must be equal to the total credits.

When analyzing a business transaction ask yourself these questions:

a. What accounts are affected?
b. Are the accounts assets, liabilities, or net worth?
c. Are the accounts increased or decreased?
d. Should the increase be recorded by a debit or a credit?
e. Should the decrease be recorded by a debit or a credit?

2. Recording Business Transactions

Once you have analyzed the business transaction and have determined which accounts are affected -- which accounts are increased and which are decreased, which are debited and which are credited -- you are ready to record the information into your books.

The first book you will enter the information into is called a Journal, or is sometimes referred to as a book of original entry. The Journal is a book in which a record of all the business transactions is made as they occur. It is a chronological record of all the business transactions your business is engaged in. You might think of it as a financial diary.

When you write the transactions into the Journal you must record the date of the transaction, the accounts affected and the amount to be debited or credited to each account. For each transaction the total debits must equal the total credits.

After recording the transactions into the Journal, you must bring the accounts affected up to date. As the business continues its operations, the assets and the liabilities will change. Some of these changes will not have any affect on increases or decreases in the net worth. The written records must show clearly the present balances in all accounts. Therefore, the information recorded in the Journal must be transferred to the accounts affected. The process of transferring the debits and credits from the Journal to specific accounts in the Ledger is known as posting. Posting is kept as nearly up to date as possible.

When posting the Ledger accounts, you must remember that the information being recorded in that account is the only part of the transaction that affects that account. Therefore, a debit entry in the Journal is posted as a debit entry in the Ledger account. Likewise a credit entry in the Journal is posted as a credit entry in the Ledger account. When all the posting is completed, the total of the debit balances of the Ledger accounts must equal the total of the credit balances of the Ledger accounts. This is so, because after posting the complete transaction, you will have made debit and credit entries in at least two accounts for each transaction.

In order to check your posting, you should take a Trial Balance. A Trial Balance is simply a listing of the accounts showing their balances (debit or credit). After listing the accounts and their balances, the debits are totalled and the credits are totalled. The total debits must equal the total credits; if these do not,you have made an error and must correct it immediately. After correcting the error, again take a Trial Balance to make sure the total debits equal the total credits.

3. The Work Sheet

The Work Sheet is a columnar device which enables the account balances to be arranged into Balance Sheet and Profit and Loss Statement items.

The Work Sheet you have been using up to now in the course is a six-column Work Sheet (it has 3 pairs of columns). The first pair of columns is the Trial Balance taken from the Ledger. The second pair of columns is for the items that make up the Profit and Loss Statement, while the third pair is for the items listed in the Balance Sheet.

a. Steps in Preparing the Work Sheet

The following are steps to follow in the preparation of the six-column Work Sheet.

(1) Write the heading on the Work Sheet stating the name of the business and the date of the end of the period covered by the Work Sheet.

(2) In the Trial Balance columns, enter the balances of the Ledger accounts as they appear before closing entries are made. Add the debit and credit columns, which must have equal totals.

(3) Distribute the revenue and expense accounts to the Profit and Loss Statement column, and the asset, liability, and net worth accounts to the Balance Sheet column.

(4) Calculate the net profit or net loss by finding the difference between the debit and credit columns of the Profit and Loss Statement section of the Work Sheet.

A net profit will be the result when the total of the credit column is larger than the total of the debit column. The net profit is the amount of the difference. Add the difference to the total of the debit column in order to balance the debits and credits.

A net loss will be the result when the total of the debit column is larger than the total of the credit column. The net loss is the amount of the difference. Add the difference to the total of the credit column in order to balance the debits and credits.

(5) Extend the net profit (a credit) or the net loss (a debit) to the Balance Sheet columns. A net profit (a credit) is entered in the debit column; a net loss (a debit) is entered in the credit column.

(6) Add the debit and credit columns of the Balance Sheet sections, which must have equal totals.

b. Purposes, Uses and Advantages of Using a Work Sheet

The Work Sheet is a device used to assist in the preparation of financial statements. Its arrangement simplifies the preparation of the statement by providing for the separation of Balance Sheet accounts from operations accounts, and provides a convenient place for calculating the net profit. Below is a list of the purposes, uses, and advantages of using a Work Sheet.

(1) The usual form of the Trial Balance is provided to determine whether the debits and credits in the Ledger are equal.

(2) A summary of the accounts is provided which shows the results of the accounting period, and gives the manager an overall view of the business.

(3) The mathematical accuracy of entries, accounts, and statements is known before the books are closed.

(4) The profit or loss for the accounting period may be known quickly; in fact, even before the books are closed or the statements are prepared.

(5) The Work Sheet usually provides the information necessary for the preparation of the closing entries.

(6) The assets, liabilities, revenues and expenses are separated for easy preparation of statements.

(7) Preparation of financial statements is simplified. In fact, the statements may be prepared from the Work Sheet without having to enter the closing entries into the books.

(8) Statements may be prepared without having to formally close off the books.

4. Financial Statements

The two principal financial statements used by most businesses are:

a. The Balance Sheet
b. The Profit and Loss Statement.

The Balance Sheet shows what the business owns, what it owes to its creditors, and how much investment the owners have in the business. It can be compared to a snapshot, showing the financial conditions of the business at a certain point of time.

The Profit and Loss Statement (sometimes called the Operation Statement, Statement of Revenues and Expenses, or Income Statement) is a summary of the business operations for a certain period, usually between two Balance Sheet dates. The Profit and Loss Statement can be compared to a moving picture; it indicates the activity of a business over a certain period of time.

In very general terms, the Balance Sheet tells you where you are, and the Profit and Loss Statement tells you how you got there since the last time you had a Balance Sheet prepared.

5. Closing Entries

Closing entries are made at the end of accounting periods to close the revenue and expense accounts, and to summarize the accounts. These entries are necessary for segregating and summarizing the revenues and expenses for each accounting period in order to determine the net profit or net loss for that period. The Profit and Loss Statement may be used as a guide in preparation of the closing entries, or these entries may be prepared from the profit and loss columns of the Work Sheet. Closing entries serve the following purposes:

a. Clear the nominal accounts (the accounts used for the Profit and Loss Statement) of the transactions of the past accounting period.

b. Show in the net worth account the result of all operations of the accounting period. (That is, the net profit or net loss.)

Closing entries are entries used to transfer the balances of the nominal accounts to the net worth accounts. This is usually done by means of a clearing account, called the profit and loss account.

The closing entries may be separated into two steps. The first step is to close all open accounts (accounts having a debit or credit balance) by closing the revenue and expense accounts to the profit and loss account. The second step is to close the profit and loss account to the net worth account.

After posting the closing entries, a Trial Balance should be taken to ensure that the Ledger balances. This Trial Balance is called the Post-Closing Trial Balance.

7. Read Section 6 of the Readings.

6. Summary

The bookkeeping cycle, as worked out up to this time, contains the following steps:

a. Prepare opening balances
b. Journalize and post opening entries
c. Journalize ordinary business transactions
d. Post the Ledger accounts
e. Take a Trial Balance
f. Complete the Work Sheet
g. Prepare financial statements
h. Journalize and post the closing entries
i. Take a Post-Closing Trial Balance.

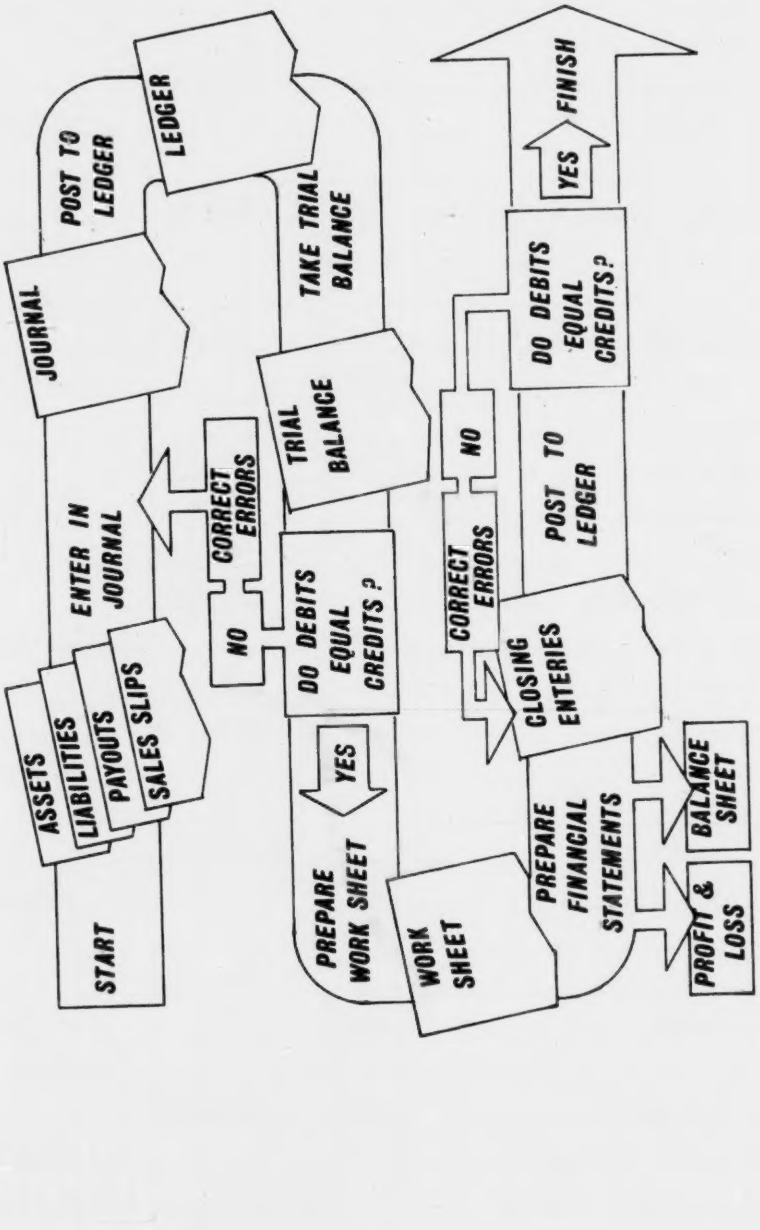
8. Show Projectual FAB13-1 to aid in discussing the Readings of Section 6.

Indicator

9. Hand out Case FAB13-1.

10. Read case and instruct the students to complete the assignment.

FAB13


START
ASSETS
LIABILITIES
PAYOUTS
SALES SLIPS
ENTER IN JOURNAL
JOURNAL
POST TO LEDGER
LEDGER
TAKE TRIAL BALANCE
TRIAL BALANCE
DO DEBITS EQUAL CREDITS ?
NO
CORRECT ERRORS
YES
PREPARE WORK SHEET
WORK SHEET
PREPARE FINANCIAL STATEMENTS
PROFIT & LOSS
BALANCE SHEET
CLOSING ENTERIES
CORRECT ERRORS
NO
POST TO LEDGER
DO DEBITS EQUAL CREDITS?
YES
FINISH

JOURNAL

PAGE 1

Date		Description	Post Ref.	Debit	Credit
19	–				
Jan	23	Cash	1	15000 00	
	23	Loan government	20		13500 00
	23	Net Worth	30		1500 00
Jan	24	Land	10	1500 00	
	24	Building	12	6500 00	
	24	Cash	1		8000 00
Jan	24	Equipment & Fixtures	13	1875 00	
	24	Cash	1		1875 00
Jan	24	Equipment & Fixtures	13	895 00	
	24	Cash	1		895 00
Jan	25	Supplies	50	175 00	
	25	Cash	1		175 00
Jan	25	Purchases	40	1275 00	
	25	Cash	1		1275 00
Jan	26	Cash	1	175 00	
	26	Sales	35		175 00
Jan	27	Cash	1	225 00	
	27	Sales	35		225 00
Jan	28	Cash	1	125 00	
	28	Sales	35		125 00
Jan	28	Purchases	40	150 00	
		Cash	1		150 00
Jan	28	Freight	45	6 00	
		Cash	1		6 00
				27901 00	27901 00

FAB13

JOURNAL

PAGE 2

DATE		DESCRIPTION	POST REF	DEBIT	CREDIT
		Balance Forward			
19	—				
Jan	28	Net Worth	30	175 00	
	28	Cash	1		175 00
Jan	30	Cash	1	78 00	
	30	Sales	35		78 00
Jan	31	Cash	1	101 00	
		Sales	35		101 00
Jan	31	Power Bill	50	15 00	
	31	Cash	1		15 00
Feb	1	Cash	1	79 00	
	1	Sales	35		79 00
Feb	2	Part-time Help	50	86 00	
	2	Cash	1		86 00
Feb	2	Cash	1	125 00	
	2	Sales	35		125 00
Feb	3	Cash	1	116 00	
	3	Sales	35		116 00
Feb	3	Repairs	50	65 00	
	3	Cash	1		65 00
Feb	4	Cash	1	147 00	
	4	Sales	35		147 00
Feb	4	Purchases	40	203 00	
	4	Cash	1		203 00
				29091 00	29091 00

JOURNAL

PAGE 3

DATE		DESCRIPTION	POST REF	DEBIT	CREDIT
		Balance Forward			
19	–				
Feb	4	Freight	45	13 00	
	4	Cash	1		13 00
Feb	4	Net Worth	30	50 00	
		Cash	1		50 00
Feb	4	Profit and Loss	38	1988 00	
	4	Purchases	40		1628 00
	4	Expenses	50		341 00
	4	Freight	45		19 00
	4	Sales	35	1171 00	
	4	Profit and Loss	38		1171 00
	4	Net Worth	35	9 00	
	4	Profit and Loss	38		9 00
	4	Inventory	8	808 00	
	4	Profit and Loss	38		808 00

FAB13

ACCOUNT NO. ____________ SHEET NO. 1

NAME Cash TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR OR CR	✓	BALANCE
19 -										
Jan	23	Loan - Investment	J1		15000 00			Dr		15000 00
	24	Land, Building	J1				8000 00	Dr		7000 00
	24	Equipment and Fixtures	J1				1875 00	Dr		5125 00
	24	Equipment and Fixtures	J1				895 00	Dr		4230 00
	24	Supplies	J1				175 00	Dr		4055 00
	25	Purchases	J1				1275 00	Dr		2780 00
	26	Sales	J1		175 00			Dr		2955 00
	27	Sales	J1		225 00			Dr		3180 00
	28	Sales	J1		125 00			Dr		3305 00
	28	Purchases	J1				150 00	Dr		3155 00
	28	Freight	J1				6 00	Dr		3149 00
	28	Withdrawal	J1				175 00	Dr		2974 00
	30	Sales	J1		78 00			Dr		3052 00
	31	Sales	J1		101 00			Dr		3153 00
	31	Power Bill	J1				15 00			3138 00
					15704 00		12566 00			

FAB13

ACCOUNT NO. ________ SHEET NO. 8

NAME Cash TERMS ________

ADDRESS ________ CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS		✓	BALANCE
		Balance Forward								
19	-									
Feb	1	Sales	J2		79 00			Dr		3217 00
	2	Part time Help	J2				86 00	Dr		3131 00
	2	Sales	J2		125 00			Dr		3256 00
	3	Sales	J2		116 00			Dr		3372 00
	3	Repairs	J2				65 00	Dr		3307 00
	4	Sales	J2		147 00			Dr		3454 00
	4	Purchases	J2				203 00	Dr		3251 00
	4	Freight	J2				13 00	Dr		3238 00
	4	Withdrawal	J2				50 00	Dr		3188 00

FAB13

ACCOUNT NO. ____________ SHEET NO. 8

NAME Inventory TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR/CR	✓	BALANCE
19	-									
Feb	4		J2		808 00			Dr		808 00

FAB13

ACCOUNT NO ______ SHEET NO 10

NAME Land TERMS ______

ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS		✓	BALANCE
19-										
Jan	24		J1		150000			Dr		150000

FAB13

ACCOUNT NO ____________ SHEET NO 12

NAME Building TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE	ITEMS	FOLIO	✓	DEBITS	✓	CREDITS		✓	BALANCE
19 –									
Jan 24		J1		6500 00			Dr		6500 00

FAB13

ACCOUNT NO. ____________ SHEET NO. 13

NAME Equipment and ____________ TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR CR	✓	BALANCE
19 -										
Jan	24		J1		1875 00			Dr		1875 00
	24		J1		895 00			Dr		2770 00

FAB13

ACCOUNT NO.

SHEET NO. 20

NAME Loan - Government

TERMS

ADDRESS

CREDIT LIMIT

DATE	ITEMS	FOLIO	✓	DEBITS	✓	CREDITS		✓	BALANCE
19-									
Jan 23		J1				135 00	Cr		135 00

FAB13

ACCOUNT NO ______ SHEET NO 30

NAME Net Worth TERMS ______

ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS		✓	BALANCE
19-										
Jan	23		J1				1500.00	Cr		1500.00
	28		J1		175.00			Cr		1325.00
Feb	4		J2		50.00			Cr		1275.00
	4	Profit and Loss	J2		9.00			Cr		1266.00

FAB13

ACCOUNT NO. ____________ SHEET NO. 35

NAME Sales TERMS

ADDRESS CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR OR CR	✓	BALANCE
19	-									
Jan	26		J1				175 00	Cr		175 00
	27		J1				225 00	Cr		400 00
	28		J1				125 00	Cr		525 00
	30		J1				78 00	Cr		603 00
	31		J1				101 00	Cr		704 00
Feb	1		J2				79 00	Cr		783 00
	2		J2				125 00	Cr		908 00
	3		J2				116 00	Cr		1024 00
	4		J2				147 00	Cr		1171 00
	4	Closing Entry	J2		1171 00					-0-

FAB13

ACCOUNT NO.
SHEET NO. 38
NAME Profit and Loss Summary
TERMS
ADDRESS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19-										
Feb	4		J2		1988 00			Dr		1988 00
	4		J2				1171 00	Dr		817 00
	4		J2				808 00	Dr		9 00
	4		J2				9 00			0

FAB13

ACCOUNT NO. -
NAME Purchases
ADDRESS
SHEET NO. 40
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR OR CR	✓	BALANCE
19	-									
Jan	25		J1		1275 00			Dr		1275 00
	28		J1		150 00			Dr		1425 00
Feb	4		J2		203 00			Dr		1628 00
	4		J2				1628 00			0

FAB13

ACCOUNT NO.
NAME Freight
ADDRESS

SHEET NO. 45
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	Dr Cr	✓	BALANCE
19—										
Jan	28		J1		600			Dr		600
Feb	4		J2		1300			Dr		1900
	4		J2				1900			0

FAB13

ACCOUNT NO ____________

NAME *Expenses*

ADDRESS ____________

SHEET NO. *50*

TERMS ____________

CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
A	–									
Jan	25		J1		175 00			Dr		175 00
	31		J1		15 00			Dr		190 00
Feb	2		J2		86 00			Dr		276 00
	3		J2		65 00			Dr		341 00
	4		J2				341 00			-0-

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB13 BOOKKEEPING REVIEWED

CASE FAB13 - 1

JACOB STONE

Jacob Stone worked a number of years as a clerk in various retail stores. During the last five years he managed to save some money with the intention of buying his own store. For the past year he has been investigating the possibilities of opening a grocery store in his home community.

Jacob contacted various agencies about the possibility of borrowing money to buy a building, equipment, merchandise, and to cover operating expenses. Jacob also contacted R.J. Smith about buying a building that he owned. He contacted various suppliers, checking their prices of merchandise, freight charges, and credit.

On January 23rd, Jacob received word that his request for a loan had been granted. The Government was willing to lend him $13,500.00 if he agreed to the following terms:

1. Jacob would invest $1,500.00 of his own money into the business.
2. Jacob would allow the government to take a mortgage on the land, building and equipment that he would buy with the loan.
3. The loan would be repaid within 15 years at an interest rate of 6 1/2% annually on the unpaid balance.
4. The books of the business would be open to inspection by government officials.

Jacob agreed to the terms of the loan and began finalizing the plans for the business.

FAB13

Below is a record of the transactions from January 23rd, 1969 to the end of business on February 4, 1969.

January 23	Received cash loan	$13,500.00
January 23	Invested own money	1,500.00
January 24	Paid R.J. Smith cash for building and land. (land $1,500.00) (building $6,500.00)	8,000.00
January 24	Purchased equipment	2,875.00
January 24	Purchased fixtures	895.00
January 25	Purchased supplies	175.00
January 25	Purchased merchandise	1,275.00
January 26	Sold merchandise	175.00
January 27	Sold merchandise	225.00
January 28	Sold merchandise	125.00
January 28	Purchased merchandise	150.00
January 28	Paid freight charges	6.00
January 28	Withdrew cash for personal use	175.00
January 30	Sold merchandise	78.00
January 31	Sold merchandise	101.00
January 31	Paid power bill	1,500.00
February 1	Sold merchandise	79.00
February 2	Paid part time help	86.00
February 2	Sold merchandise	125.00
February 3	Sold merchandise	116.00
February 3	Paid for repairs	65.00
February 4	Sold merchandise	147.00
February 4	Purchased merchandise	203.00
February 4	Paid freight charges	13.00
February 4	Withdrew cash for personal use	50.00

Inventory on hand at the end of business (February 4) was $808.00.

Instructions

1. Journalize and post all opening balances.
2. Journalize and post all business transactions.
3. Prepare financial statements for the period ended February 4.
4. Journalize and post all closing entries.

SUBJECT MARKETING

LESSON MKT7 STOCKKEEPING

INSTRUCTOR'S GUIDE

OVERVIEW

It is quite easy to see how well a business is organized by walking through a merchant's warehouse. Many merchants lose considerable money because they do not know what stock they have and so either run out or have too much on hand, or because there is considerable spoilage of goods due to poor storage.

This lesson gives the students some guidelines to follow in checking and receiving goods, and should create an awareness of the need for good stockkeeping practices. Experience and observation of other businesses will help the students learn the specifics of stockkeeping. Students may wish to read some of the references listed for more information.

OBJECTIVE

Given the necessary shipping information, the student will know how to receive and check a shipment of merchandise.

REFERENCE MATERIAL FOR INSTRUCTOR

1. England, Wilbur B. The Purchasing System. Homewood, Illinois: Richard D. Irwin, 1967, ch. 4.
2. Ritch, Kelly. Receiving, Checking and Marketing. Austin, Texas: The University of Texas, 1969.

3. Shaffer, Harold. Fundamentals of Retailing. Toronto: McGraw-Hill Co. of Canada Ltd., 1965, pp. 21 - 56.

4. University of Texas. Stockkeeping. Austin, Texas: The University of Texas, 1965, pp. 37 - 122.

RESOURCES REQUIRED

1. Projectual MKT7-1, "The Stocking Jobs"
2. Case MKT7-1, "Checking Merchandise"
3. Filmstrip and record, "Receiving, Checking and Marking Merchandise".

METHODOLOGY

1. Hand out the Readings; read and discuss the Purpose and Introduction.

PURPOSE

In this lesson you will look at how to receive and check merchandise shipments from your suppliers. You will also see why stockkeeping is important to the success of a business.

INTRODUCTION

As a businessman, you must keep a record of all the shipments you receive from your suppliers. You must do this to make sure that you have received the right goods, that the goods are not damaged, and that you do not re-order goods that you already have in stock.

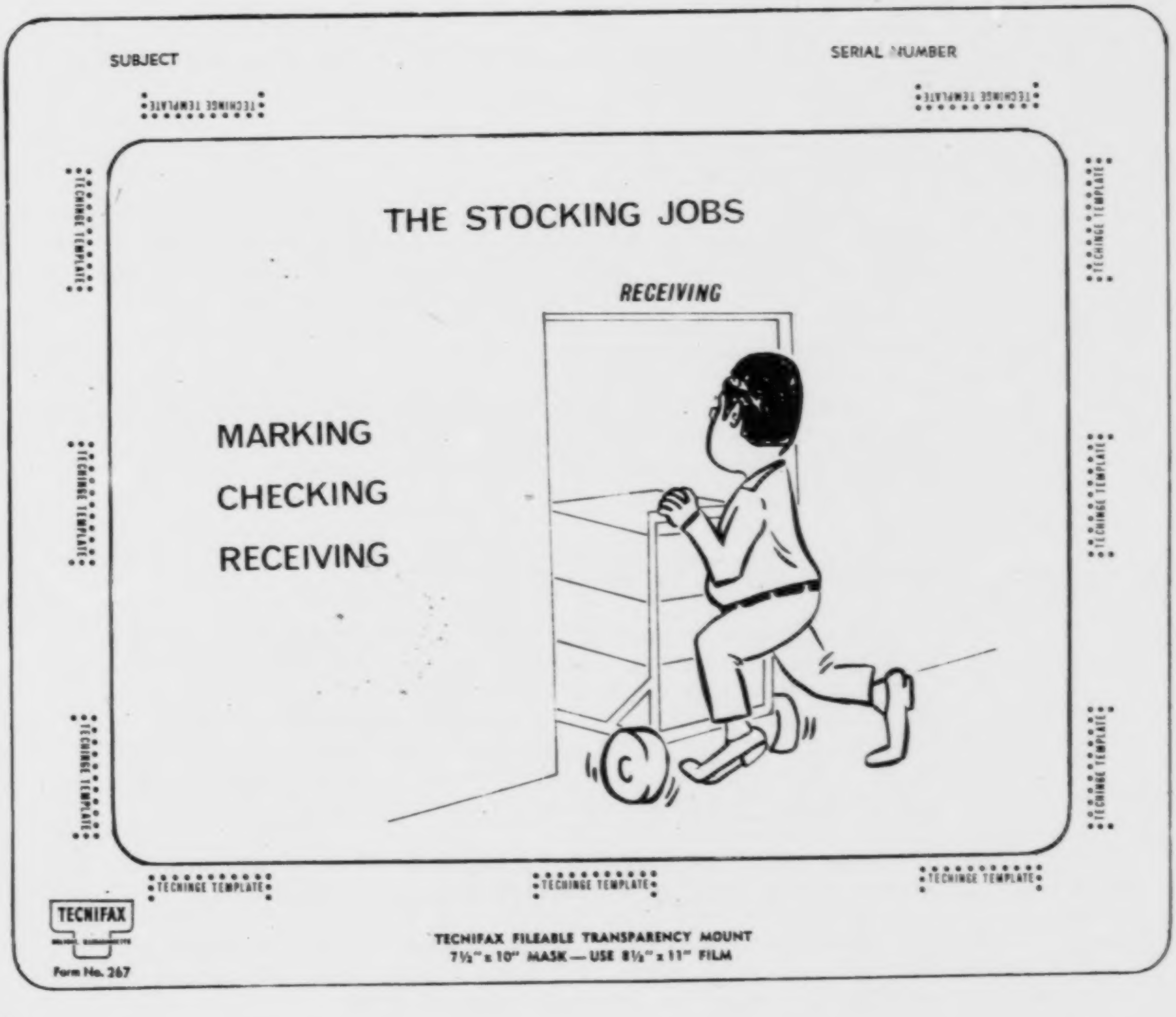
OBJECTIVE: GIVEN THE NECESSARY SHIPPING INFORMATION, THE STUDENT WILL KNOW HOW TO RECEIVE AND CHECK A SHIPMENT OF MERCHANDISE.

Stimulus

2. Show Projectual MKT7-1, "The Stocking Jobs". Have students give their impression of marking, checking and receiving. Explain if necessary.

MKT7

MKT7-1 THE STOCKING JOBS



THE STOCKING JOBS

MARKING

CHECKING

RECEIVING

RECEIVING
C
SUBJECT
SERIAL NUMBER
TECHINGE TEMPLATE
TECNIFAX
Form No. 267
TECHIFAX FILEABLE TRANSPARENCY MOUNT
7½" x 10" MASK — USE 8½" x 11" FILM

3. Hand out case MKT7-1, "Checking Merchandise" and go over it with the students.

Clarify Problem

4. Have the students list on a flip chart the problems they see in the case, the reasons for them and possible solutions. Discuss.

5. Read Sections 1 and 2 of the Readings.

CONTENT

1. What is Stockkeeping?

Stockkeeping refers to the handling of merchandise within the store and the storage area and moving it from one place to another as needed. Efficient stockkeeping includes caring for the merchandise and keeping it arranged in an orderly manner so that the selling process is made faster, easier and more convenient.

Stockkeeping also includes careful handling and checking of merchandise to ensure that the correct amounts are received in good condition and that damage does not occur prior to the sale of the goods.

2. The Importance of Stockkeeping

Merchandise represents money. Lost, damaged or soiled merchandise represents a loss of money. Therefore, it is important that you check to make sure that you receive all the goods you ordered. It is equally important to avoid damage and soiling after goods have been received. In addition, older merchandise should always be sold first and replaced with new stock (called stock rotation).

An orderly arrangement of stock in the storage area is a must if you want to accomplish the above objectives.

Most of these things were not done by Gordon Munro in the case you just read. His poor stockkeeping practices were costing him money in lost and damaged goods.

Let's examine the steps that should be taken in proper stockkeeping.

6. Discuss the Readings. The instructor should emphasize that it is important for the businessman to build good relations with his suppliers and the transportation companies. This can result in faster delivery of merchandise, easier settlements of any problems in shipment shortages, and prompt attention to damages or defective merchandise claims.

7. Read and discuss Sections 3 and 4 of the Readings. The students may wish to read some of the reference material for more information.

3. Receiving the Shipment

When a shipment of merchandise is delivered, it should be put in a place where the number of pieces can be counted easily.

Here is a procedure for you to follow when receiving merchandise.

a. The delivery man will have a list (Bill of Lading) showing the number of pieces in the shipment and the total weight.

b. You and the delivery man should check the number of pieces you have received with the number stated on the Bill of Lading.

c. If there is a shortage, the delivery man should make a note of it on the Bill of Lading.

d. As you count the number of pieces in the shipment you should mark the date on each container with a marking pen or grease pencil.

e. You should check to see if any of the containers are damaged in any way. You should open any containers that appear damaged to see if the contents are damaged or broken. If so, you should have the delivery man write a note on the Bill of Lading and you can put in a claim to the transportation company.

f. Once the boxes are counted and checked for damage by yourself and the delivery man, you can sign the Bill of Lading and keep your copy in a Bill of Lading File.

MKT7

BILL OF LADING

DATE: ____________ 19__

CONSIGNEE ____________________
____
____

SHIPPER ____________________
____
____

CARRIER ____________________
____
____

C.O.D. ☐

PREPAID ☐

CHARGE ☐

Pieces	Description of Shipment	Weight	Rate	Total
	◁ Total No. of Pieces Total Weight ▷			
			Total $	

Signatures:

Shipper ____________ For Carrier ____________ I have received the above goods in apparent good order

Consignee ____________ Date ________

4. Checking the Merchandise

After signing for the shipment, you must check to see if the right goods, in the right quantities, are in the containers. Here is a procedure you can use to check the merchandise.

a. You should locate a copy of the supplier's invoice. It is usually inside or attached to the outside of one of the containers.

b. Check off the number and type of merchandise in the shipment against the supplier's invoice.

c. If there are any shortages you should make a note of them and inform the supplier accordingly.

d. When you have completed checking the merchandise received against the supplier's invoice, you should compare his invoice with your file copy of the purchase order you used to order the merchandise.

e. Make a note of any differences in the type, quantity or price of the goods ordered and received. These differences may come about if:

   (1) some goods were not available and have to be back ordered
   (2) some goods were not available at all
   (3) the supplier did not have enough goods to fill all the order
   (4) there has been a sudden price change on some goods
   (5) some goods have been substituted.

You should write to the supplier telling him what problems you have with his merchandise shipments and suggest what you think can be done to overcome these problems.

8. Refer the students to the completed purchase order form in lesson MKT6, "Purchasing", for the following exercise in stockkeeping. Assume the shipment resulting from the purchase order has arrived. Have the students use the following information to complete the bill of lading and invoice forms, and to explain the procedure they would follow in handling the situation.

a. Bill of Lading

(1) 5 cartons received weighing 210 lbs @ .50/100 for freight

(2) F.O.B. Poplar Point (prepaid)

(3) one of the cartons appears to be damaged. (Instructor should make sure that the students know what to do in this instance - have delivery man make a note of the damaged carton on the Bill of Lading and sign below it.)

b. Invoice

(1) Terms 2/10, N30

(2) 6 pants @ $5.00 each are listed on the invoice but have been back ordered (b.o.)

(3) one of the cans of milk has been damaged by the trucking company and the spilled milk has spoiled the labels on most of the other cans in the case. (In this situation, the trucking company will usually replace the whole case of milk or the actual number of cans damaged).

The instructor should ensure that the students follow the procedures for receiving and checking merchandise outlined in Section 3 and 4 of the Readings.

9. Read Section 5 of the Readings.

5. Summary

Stockkeeping is the orderly handling of merchandise to ensure that the correct amounts are received, to avoid damage in handling and storage and to ensure that stock is rotated properly.

Stockkeeping is important because merchandise represents money. That is, money has been paid out to obtain the merchandise and it can be recovered (along with normal profit) only if the merchandise is sold at full retail price (not damaged, soiled or lost).

The steps outlined in this lesson for proper receiving and checking of merchandise can help to satisfy the needs of both your business (giving a satisfactory return on sales) and your customers (ensuring that they receive merchandise in good condition).

MKT7

INVOICE

Supplier ______________________________

____

Sold To ______________________________

____

____

Shipped To ________________ Via _________

Our Number	
Date	
Customers Order	
Salesman	
F.O.B.	
Terms	

Quantity	Description	Price/Unit		Total

MKT7

BILL OF LADING

DATE ____________ 19__

CONSIGNEE John's Store
Poplar Point, Man

SHIPPER Scott's Wholesaling Co
2020 Downing Street
Winnipeg Man

CARRIER C & D Trucking
Winnipeg
Manitoba

C.O.D. ☐

PREPAID ☑

CHARGE ☐

Pieces	Description of Shipment	Weight	Rate	Total
5	Cartons	210	.50/100 lbs	1.05
5	◄ Total No. of Pieces Total Weight ►	210		
			Total	$ 1.05

NOTE - one case milk damaged in transit.

Signatures:

Shipper John Case for Scott's Wholesaling For Carrier Jim Smith I have received the above goods in apparent good order

Consignee M John Date ________

MKT7

INVOICE

Supplier Scott's Wholesaling Co
2020 Downing Street
Winnipeg, Manitoba
Sold To John's Store
Poplar Point, Manitoba
Shipped To Poplar Point Via C & D Trucking

Our Number 33325
Date
Customers Order #12
Salesman —
F.O.B. Poplar Point
Terms 2/10

Quantity	Description	Price/Unit		Total	
7	shirts	4	00	28	00
2	boots	10	00	20	00
✓ 6	pants B.C. (Reorder please)	5	00		
24	beans		20	4	80
12	tobacco	2	50	30	00
48	milk		25	12	00
	Total			94	80

SUBJECT MARKETING

LESSON MKT7 STOCKKEEPING

CASE MKT7 - 1

CHECKING MERCHANDISE

Gordon Munro owns and operates a small general store and a laundromat in his home town with the help of his wife. His sister also helps him on weekends. The fact that Gordon is well liked in the community has added to the success of his business. He has considered expanding his store; he is not as yet in a financial position to do so.

In the past year Gordon has been having various problems with his stock. He often finds that he has too much of one type of stock and not enough of another. In addition, more and more of his stock seems to be damaged, soiled or old.

He found out earlier today that he has 200 boxes of economy-size soap on hand in his stockroom - enough for three or four months. On the other hand, his stock of regular-size soap is down to five boxes - not enough to last out the week. He also discovered that mice had chewed into a case of macaroni and ruined most of the boxes, which meant the macaroni had to be thrown out. While checking his stockroom Gordon found a case of bread under several cases of canned goods. It had been there for about a week and was thoroughly flattened. There was nothing he could do but dispose of it.

Let's look at last week to find the reasons for these latest problems. At that time Gordon received two shipments from two different suppliers. Both shipments were delivered to the store by truck. Gordon and his wife were too busy to count the boxes or check the items received so the driver just unloaded the shipments in the stockroom. Since the stockroom was crowded the driver piled the shipments wherever he could find room. Gordon signed the delivery slips and left his copies on the counter near the cash box.

Today Gordon decided he should rearrange things in his stockroom. He also thought he had better check the shipments received last week to make sure that he had received everything. Gordon looked for the delivery slips but wasn't able to find them. His wife said she thought she remembered seeing them in the cash box. Fortunately they were still there.

Gordon returned to the stockroom and decided to check if the correct number of boxes were delivered. Gordon couldn't find three boxes. He checked further but still couldn't find them. Upon checking his invoices Gordon discovered that the three missing cases contained soap. He decided that part of the soap had probably been sold in the store and the rest had likely been taken to the laundromat; however, he couldn't be sure.

Gordon then decided to see if he had received the correct goods. He discovered that the shipment included 100 boxes of economy-size soap. Two weeks ago, he had received 100 boxes but he had not checked the shipment when it arrived and had ordered this size soap again the next day. He now has 200 boxes on hand.

Questions for Discussion

1. What are the problems facing Gordon? How did these problems come about?

2. What can Gordon do to eliminate or reduce some of his stockkeeping problems?

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB14 RECORDING YOUR PURCHASES

INSTRUCTOR'S GUIDE

OVERVIEW

A business has to buy supplies and merchandise, and pay for services and other expenses. Just as the business might give out credit to it's customers, many of the suppliers it deals with will allow the business to charge it's purchases. Credit is given out on the understanding that the items or services will be paid for at some future date.

A business also has to deduct various amounts off the pay cheques of its employees (for example Canada Pension Plan contributions, Unemployment Insurance contributions, and Income Tax deductions). These amounts must be paid to the proper agencies at some later date.

A business collects sales tax on certain sales. The business is acting as a collection agent for the government and must remit the sales tax, less commission, that it has collected.

In all the situations described above, the business owes money to the suppliers, or to the government. The business must keep accurate records of those to whom it owes money, what the terms of the agreement were and when the purchase was made. In order to have an accurate and complete record, many businesses set up and use a Purchases Journal and an Accounts Payable Ledger.

The Purchases Journal contains information of credit purchases in a chronological sequence. In it is recorded only transactions that involve accounts payable. These transactions might involve the purchase of merchandise, collection of deductions from employees' pay cheques, obtaining of services, or any other transaction that involves the receipt of an item or service with the agreement of payment later.

The Accounts Payable Ledger contains individual records for each person, business, or agency to which the business owes money because of a purchase transaction. The information from the Purchases Journal is transferred to individual accounts in the Accounts Payable Ledger in order that the businessman can quickly see how much money he owes in total to each creditor and what transactions make up his total debt to that creditor.

In order to control the accuracy of the posting of the Purchases Journal, an accounts payable control account is set up in the General Ledger. At the end of the month, the accounts payable in the Purchases Journal is summarized and totalled, then posted to the accounts payable control in the General Ledger. To check the accuracy of the Accounts Payable Ledger posting, a Summary of Accounts Payable is drawn up. The total of this Summary must equal the balance in the accounts payable control account.

It is important that the businessman know how much money he owes due to the purchase of supplies, merchandise, etc. It is just as important that he knows to whom he owes the money and when it must be paid. The books used to provide this information are the Purchases Journal and the Accounts Payable Ledger.

OBJECTIVE

Given various purchase invoices, the student will set up and use a Purchases Journal and an Accounts Payable Ledger.

RESOURCES REQUIRED

1. Case FAB14-1, "Accounts Payable"
2. Ledger Sheets
3. Multi-column Journal paper.

METHODOLOGY

1. Hand out Readings, and then read the Purpose and Introduction.

PURPOSE

In this lesson you will learn how to record into your books the purchase of merchandise on account.

INTRODUCTION

All goods bought for the purpose of resale are known as merchandise. There are two methods of payment commonly used to purchase merchandise. The first method is to pay cash upon receipt of the merchandise; this is known as a cash purchase. The second is to arrange to pay for the merchandise at some later date; this is known as a purchase on account.

When a business does much of its purchasing on account, time is saved in journalizing and posting by recording all invoices in a separate Journal known as a Purchases Journal.

OBJECTIVE: GIVEN VARIOUS PURCHASE INVOICES, THE STUDENT WILL SET UP AND USE A PURCHASES JOURNAL AND AN ACCOUNTS PAYABLE LEDGER.

Stimulus

2. Ask the students how they think they will get merchandise, supplies, etc. if they do not have the cash to pay for these purchases.

A business has to buy supplies, merchandise, etc. from other business. Just as the business might give out credit to it's customers, it might receive credit from it's suppliers. If it receives credit, it must keep accurate records of those to whom it owes money, how much it owes, and when it must pay. To do this, it sets up and uses a Purchases Journal and an Accounts Payable Ledger.

Provide Information

3. Read Section 1 of the Readings, and discuss.

CONTENT

1. Buying Merchandise on Credit

As mentioned in the Introduction, merchandise can be paid for upon receipt of the merchandise, or arrangements can be made to pay for the merchandise at a later date. Buying merchandise with an agreement to pay at a later date is known as purchasing on account.

In order to operate, a retail business has to buy merchandise for resale. Suppliers, just like many stores, give out credit to their customers if these customers are considered a good risk. When businesses give credit out to other businesses, this is known as "trade credit."

The amount of money you owe to each supplier from which you received merchandise on account is referred to as an account payable. Because accounts payable are money that you owe to other businesses you must know the following:

a. How much is owed to each creditor?
b. How much is owed to all creditors?
c. When do the bills have to be paid?

These three questions are answered by the information contained in an Accounts Payable Ledger. You will learn how to set up and use this Ledger.

4. Read Section 2 of the Readings. Discuss and give various other examples in order to clarify terminology. Have students do the clarifying whenever possible.

2. Terms of Sale

When you buy on credit from your suppliers, they can give you different terms for paying your bills. Your suppliers might use some of the following terms:

N30	Net 30 days	You must pay the full amount of the bill within 30 days of the date of the invoice.
2/10, N/30	2% for 10 days Net 30 days	You are allowed to take off 2% of the total invoice price if you pay within 10 days. If you don't take the discount, you must pay the bill within 30 days
10EOM	10 days from End of Month	The bill must be paid within 10 days after the end of the month, as shown on the invoice.

10th & 25th	Purchases made between the 1st and 15th of the month are due on the 25th of that month. Purchases made between the 16th and the end of the month are due on the 10th of the following month.

The terms of sale on the previous page are illustrated in the following table:

INVOICE DATE	TERMS	DUE DATE
August 1	N/30	August 31
	2/10, N/30	a. 2% discount till Aug.11 b. Full amount by August 31
	10EOM	September 10
	10th & 25th	August 25
August 17	10th & 25th	September 10

5. Read Section 3 of the Readings. Discuss and illustrate by example how the invoice is drawn up.

3. What is a Purchase Invoice?

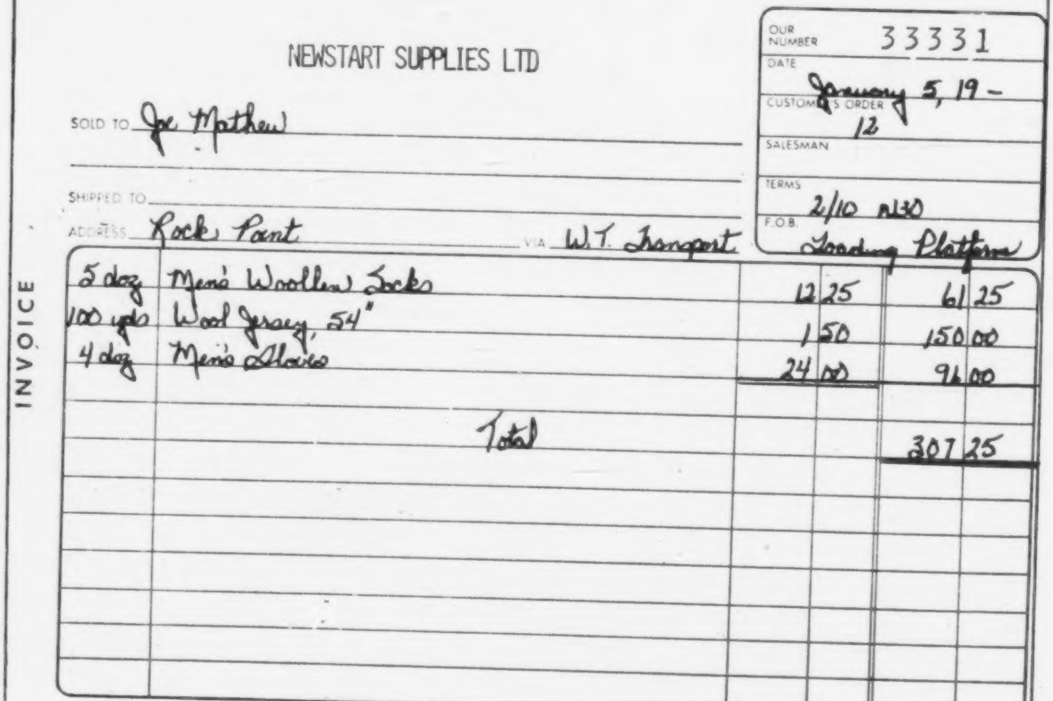
When a shipment of merchandise arrives, a business paper known as an invoice will be enclosed with it. On the invoice will be the following information:

a. Name and address of the seller
b. Name and address of the buyer
c. Date of the invoice
d. Method of shipment
e. Seller's invoice number
f. Buyer's purchase order number
g. Terms of sale
h. Quantity, description, and unit price of the items shipped
i. Total amount for each item and the total amount of the invoice.

Below is an example of an invoice. Upon receipt of the merchandise, it should be checked for quantity and quality. Any shortages, errors, or damages should be noted on the invoice.

After checking the merchandise for damage and/or shortages, the prices, terms, extensions and total on the invoice should also be checked for errors. If any are found, they should be noted and you should notify the seller as soon as possible so they can be corrected.

After the merchandise and the invoice have been carefully checked, the invoice is ready to be recorded into the Purchases Journal.



INVOICE

NEWSTART SUPPLIES LTD

OUR NUMBER 33331
DATE January 5, 19 -
CUSTOMER'S ORDER 12
SALESMAN
TERMS 2/10 N30
F.O.B. Loading Platform

SOLD TO Joe Mathew
SHIPPED TO
ADDRESS Rock Point VIA W.T. Transport

5 doz	Men's Woollen Socks	12	25	61	25
100 yds	Wool Jersey, 54"	1	50	150	00
4 doz	Men's Gloves	24	00	96	00
	Total			307	25

6. Hand out multi-column Journal paper. Read Section 4 of the Readings. Discuss and illustrate the procedure of entering on the flip chart through the use of various examples. The students could do much of the clarifying of the procedure.

4. The Purchases Journal

If Joe Mathews were to record this transaction in his General Journal (the name of the Journal you have been using to date) the entry would look like this:

Jan	5	Purchases		307 25	
"	5	Newstart Supplies Ltd.			307 25
		Terms 2/10, n/30			

The account for purchases is debited and the account for creditors (the businesses to which you owe money) is credited.

As the amount debited and the amount credited are always the same in these transactions, it is possible to record all of this information on one line of the Purchases Journal

Purchases Journal Page 1

DATE	DESCRIPTION	PURCHASES DR.	FREIGHT DR	EXPENSES DR	MISC DR	ACC/PAY CR
19 -						
Jan 5	Newstart Supplies	307 25				307 25

The following purchase invoices were received and checked by Joe Mathew. As they represent merchandise purchased on account, they are recorded in the Purchases Journal.

January 5 -- From NewStart Supplies Ltd. for $307.25; terms, 2/10, N/30.

January 8 -- From the Universal Company for $175.00; terms, net 30 days.

January 17 - From Robert Blaine and Company for $120.50; terms, net 60 days.

January 25 - From George Lang Ltd. for $98.75; terms, net 30 days.

January 26 - From Lang Company for $210.00; terms, net 60 days.

Purchases Journal Page 1

Date	Description	Purchases Dr.	Freight Dr.	Expenses Dr.	Misc. Dr.	Acc/Pay Cr.
19—						
Jan. 5	Newstart Supplies	307 25				307 25
" 8	Universal Company	175 00				175 00
" 17	Robert Blaine & Co	120 50				120 50
" 25	George Lang Ltd.	98 75				98 75
" 26	Lang Co.	210 00				210 00
		911 50				911 50
Jan. 31	Purchases	911 50				
" 31	Acc/Pay Control		911 50			

From the Purchases Journal, you post only the total to the Purchases account in the General Ledger (rather than the individual amounts).

Jan	31	Purchases	P1	911 50	
	31	Account Payable			911 50

7. Hand out ledger sheets. Read Section 5 of the Readings. Discuss and illustrate posting of Accounts Payable Ledger on the flip chart. Use as many examples as you require in order to clarify.

5. Posting the Purchases Journal

In a business which purchases much of its merchandise on account from many firms, it would be very awkward to keep all the creditor's accounts in the General Ledger. To overcome this difficulty, the creditor's accounts are put in a separate or subsidiary Ledger, known as an Accounts Payable Ledger. Such a Ledger may be in the form of a loose-leaf book, or consist merely of a set of filing cards. A separate sheet or card is kept for each account, and the set is arranged in alphabetical order. The accounts are seldom numbered.

FAB14

In order to keep an up-to-date record of what is owed to creditors, it is necessary to post daily to the Accounts Payable Ledger.

An Accounts Payable Ledger is illustrated below. P1 indicates that the account is posted from page 1 of the Purchases Journal.

ACCOUNT NO. ________ SHEET NO. ________
NAME New Start Supplies Ltd TERMS ________
ADDRESS ________ CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 –										
Jan	5	2/10, N30	P1				307 25	Cr		307 25

ACCOUNT NO. ________ SHEET NO. ________
NAME Universal Company TERMS ________
ADDRESS ________ CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 –										
Jan	8	Net 30	P1				175 00	Cr		175 00

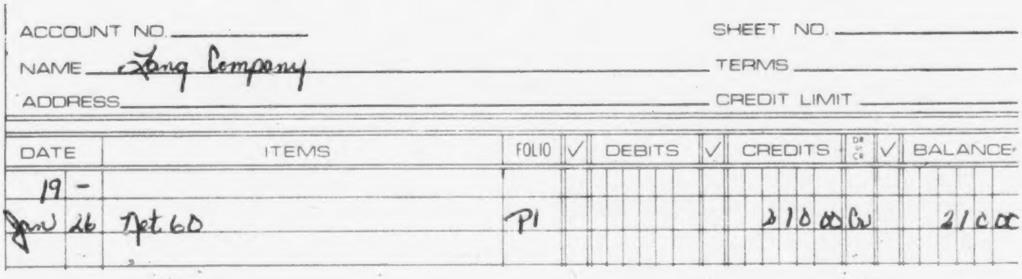
ACCOUNT NO. ________ SHEET NO. ________
NAME Robert Blaine & Company TERMS ________
ADDRESS ________ CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 –										
Jan	17	Net 60	P1				120 50	Cr		120 50

ACCOUNT NO. ________ SHEET NO. ________
NAME George Lang Ltd TERMS ________
ADDRESS ________ CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 –										
Jan	25	Net 30	P1				98 75	Cr		98 7

FAB14



ACCOUNT NO. ____________ SHEET NO. ____________

NAME Long Company TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR OR CR	✓	BALANCE
19 -										
Jan	26	Net 60	P1				210 00	Cr		210 00

8. Read Section 6 of the Readings. Illustrate posting procedure on the flip chart.

6. Accounts Payable Control

An account called accounts payable control or simply accounts payable, is used in the General Ledger in the place of all of the creditor's accounts. This account summarizes all the information that is shown in detail in the Accounts Payable Ledger.

The total of the Purchases Journal is posted at the end of the month to the General Ledger as was illustrated in Section 4 of the Readings. The amount is posted to the debit of purchases and to the credit of accounts payable (control). As a result, the debits equal the credits, and the General Ledger is in balance.

9. Ask the students how they will be able to tell if the posting of the Accounts Payable Ledger accounts has been done accurately. Discuss.

10. Read Section 7 of the Readings. Discuss and illustrate.

7. Accounts Payable Summary

Before a Trial Balance of the General Ledger is taken at the end of the month, it is necessary to prove that the Accounts Payable Ledger is in agreement with its control account in the General Ledger. To do this, a summary is made of the balances in the Accounts Payable Ledger. The total of this summary must agree with the balance of the accounts payable (control) account in the General Ledger. Below is what Joe Mathew's accounts payable summary looks like for January 31, 19__.

Accounts Payable Summary
January 31, 19__

NewStart Supplies Ltd.	$307.25
Universal Company	175.00
Robert Blaine and Company	120.50
George Lang Ltd.	98.75
Lang Company	210.00
	$911.50

ACCOUNT NO. ________ SHEET NO. 25
NAME Accounts Payable Control TERMS ________
ADDRESS ________ CREDIT LIMIT ________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19—										
Jan	31		P2				911 50	Cr		911 50

11. Ask students if they have used other methods of keeping track of amounts owed for purchases or if they know of other methods used.

12. Discuss, pointing out that some other systems are:

    a. File Folder: the invoices are placed into separate file folders. A file folder is used for each creditor.

    b. Clip Board: the invoices are filed on two clip boards.
       -- one holds unpaid bills
       -- the other holds paid bills

13. Read Section 8 of the Readings. Discuss.

8. Another Method of Recording Purchases and Accounts Payable

Another method of recording purchases and accounts payable is to post directly from the invoices to the creditor's accounts. In this method the invoices, after being posted, are filed in numerical order in a binder. This binder of invoices takes the place of the Purchases Journal. At the end of each month, the invoices for the month are totalled and this total is then recorded in the General Journal. If Joe Mathew used this method, his General Journal entry would look like the following:

Jan.	31	Purchases		911 50	
		Accounts Payable			911 50
		January Purchases			

After posting this entry to the General Ledger Accounts, the balances in both the Accounts Payable Ledger and the accounts payable (control) account should be the same as when the Purchases Journal was used.

14. Read Section 9 of the Readings. Discuss.

9. Summary

Buying on credit can help you as a businessman. You are able to buy goods without having to pay cash right away. By the time the bill is due, you should have been able to sell enough goods so you can pay your bill.

Being able to buy on credit is a privilege which you must protect very carefully. If you don't look after your bills, you will no longer be allowed to buy on credit.

Just as you want your customers to pay their bills on time, so the supplier wants you to pay your bills. If you don't pay your bills, it costs you money in interest charges and loses you credit privileges.

Here are some facts to remember:

a. Merchandise purchased on credit is said to be purchased on account.

b. Only credit purchases are recorded in the Purchases Journal.

c. Creditors' accounts are kept in a separate Ledger known as the Accounts Payable Ledger.

d. The entries in the Purchases Journal are posted daily to the accounts payable (control) account.

e. The accounts payable (control) account provides a summary for all the information in the Accounts Payable Ledger. It takes the place of the individual creditors' accounts in the General Ledger.

f. The total of the Purchases Journal is posted twice -- to the debit of the purchases account, and to the credit of the accounts payable (control) account, in the General Ledger.

g. The total of the Accounts Payable Summary must agree with the balance of the accounts payable (control) account.

Indicator

15. Hand out case FAB14-1. Instruct students to follow instructions at the end of the case.

Summary of Accounts Payable
as of August 31, 19__

A & B Meats Ltd.	$ 116.10
A.V. Wholesale Ltd.	453.06
Central Sales Ltd.	162.85
W & W Food Sales Ltd.	376.46
F.A. Transport	65.91
Gas	37.95
Telephone	9.01
Power	18.29
TOTAL	$1,239.63

Purchases Journal

Page 1

Date	Description	Purchases Dr.	Freight Dr.	Expenses Dr.	Misc. Dr.	Acc/Pay Cr.	
19—							
Aug. 1	AV Wholesale	99 50				99 50	✓
" 1	W & W Food Sales	104 50				104 50	✓
" 7	AV Wholesale	171 36				171 36	✓
" 7	Central Sales	54 40				54 40	✓
" 7	W & W Food Sales	191 50				191 50	✓
" 8	A & B Meats	8 60				8 60	✓
" 10	Power			18 29		18 29	✓
" 12	Telephone			9 01		9 01	✓
" 13	Central Sales	55 45				55 45	✓
" 13	W & W Food Sales	80 46				80 46	✓
" 15	AV Wholesale	182 20				182 20	✓
" 17	Gas			37 95		37 95	✓
" 20	A & B Meats	26 50				26 50	✓
" 23	A & B Meats	56 00				56 00	✓
" 28	Central Sales	53 00				53 00	✓
" 28	F. A. Transport		65 91			65 91	✓
" 29	A & B Meats	25 00				25 00	✓
		1188 47	65 91	65 25		1239 63	
Aug. 31	Purchases	1108 47					
" 31	Freight	65 91					
" 31	Expenses	65 25					
" 31	Acc/Pay Control		1239 63				

FAB14

ACCOUNT NO.
NAME A & B Meats Ltd
ADDRESS

SHEET NO.
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Aug	8	33341 N30					8 60	Cr		8 60
	20	33346 N30					26 50	Cr		35 10
	23	33348 N30					56 00	Cr		91 10
	29	33350 N30					25 00	Cr		116 10

FAB14

ACCOUNT NO.
NAME A V Wholesale Ltd
ADDRESS

SHEET NO.
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR CR	✓	BALANCE
19	–									
Aug	1	33321 E.CM.					99 50	Cr		99 50
	7	33322 E.CM					171 36	Cr		270 86
	15	33326 E.CM					182 20	Cr		453 06

FAB14

ACCOUNT NO. __________ SHEET NO. __________

NAME Central Sales Ltd TERMS __________

ADDRESS __________ CREDIT LIMIT __________

DATE		ITEMS		FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19–											
Aug	7	33332	10th & 25th					54 40	Cr		54 40
	13	33336	10th & 25th					55 45	Cr		109 85
	28	33338	10th & 25th					53 00	Cr		162 85

FAB14

ACCOUNT NO.
NAME W & W Food Sales Ltd
ADDRESS
SHEET NO.
TERMS
CREDIT LIMIT

DATE		ITEMS		FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–										
Aug	1	33333	2/10 N/30					104 50	Cr		104 50
	7	33337	2/10 N/30					191 50	Cr		296 00
	13	33339	2/10 N/30					80 46	Cr		376 46

FAB14

ACCOUNT NO. __________
SHEET NO. __________
NAME J.A. Transport
TERMS __________
ADDRESS __________
CREDIT LIMIT __________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	—									
Aug	28						6591	Cr		6591

FAB14

ACCOUNT NO. ______ SHEET NO. ______
NAME Jas Bell TERMS ______
ADDRESS ______ CREDIT LIMIT ______

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	–									
Aug	17						3795	Cr		3795

FAB14

ACCOUNT NO. ____________ SHEET NO. ____________

NAME Telephone ____________ TERMS ____________

ADDRESS ____________ CREDIT LIMIT ____________

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19	-									
Aug	12	July					901	Cr		901

FAB14

ACCOUNT NO.
NAME Power
ADDRESS

SHEET NO.
TERMS
CREDIT LIMIT

DATE		ITEMS	FOLIO	✓	DEBITS	✓	CREDITS	DR or CR	✓	BALANCE
19 —										
Aug	10	July					18 29	Cr		18 29

FAB14

FAB-4

Jacob Stone
Work Sheet
For Period Ended February 4, 19—

		TRIAL BALANCE		PROFIT & LOSS		BALANCE SHEET		POST CLOSING TRIAL BALANCE	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	1	3188 00				3188 00		3188 00	
Inventory	8	-0-		-0-	808 00	808 00		808 00	
Land	10	1500 00				1500 00		1500 00	
Building	12	6500 00				6500 00		6500 00	
Equipment & Fixtures	13	2770 00				2770 00		2770 00	
Loan-Government	20		13500 00				13500 00		13500.00
Net Worth	30		1275 00				1275 00		
Sales	15		1171 00		1171 00				
Purchases	40	1628 00		1628 00					
Freight	45	19 00		19 00					
Expenses	50	341 00		341 00					
Net Profit (Loss)									

SUBJECT FINANCE, ACCOUNTING, BOOKKEEPING

LESSON FAB14 RECORDING YOUR PURCHASES

CASE FAB14 - 1

ACCOUNTS PAYABLE

Bill Duran had been managing the Middle Rapids Trading and General Store for the past few months. When Bill had started the business, he paid cash for all his merchandise. After awhile some of the suppliers asked him if he wanted to start buying on credit. Bill thought this over; he knew that if he started buying on credit, he would have to keep more records in order to know how much he owed to each supplier. He would also have to know when each bill was due because, if he was late, the suppliers could charge interest on the amount owed. Bill thought that there would likely be times when he would be late paying bills because of unexpected payouts. If he started buying on credit he would have to plan his operations so that he had money ready to pay his bills when they were due.

One of the advantages of buying on credit was that he could buy more goods. If he always paid cash, he could only buy those goods for which he had the money at the time, but if he bought on credit he would have sold enough goods to pay the bill by the time the bill was due.

Bill needed help to keep track of his bills. He knew that one of his friends had bookkeeping experience so he decided to ask him for help. He brought his friend all the invoices that he had received with his orders, and asked him to set up the required records.

INSTRUCTIONS

1. Suppose you are Bill's friend. Using the information on the attached invoices set up a record keeping system for Bill Duran's Accounts Payable.

2. Make the entries into the records you have set up for Bill Duran.

ADDITIONAL INFORMATION

Aug. 10/	Received July Power Bill	$18.29
Aug. 12/	Received July Telephone Bill	9.01
Aug. 17/	Received Gas Bill	37.95
Aug. 28/	Received Freight Bill from F.A. Transport.	65.91

FAB14

INVOICE

AV WHOLESALE LTD

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO B. Duran

ADDRESS Middle Rapids VIA F.A. Transport

OUR NUMBER 33321
DATE August 1, 1971
CUSTOMER'S ORDER
SALESMAN B. Tallon
TERMS E.O.M.
F.O.B. Store

12 pairs	Gloves @ $2.00/pair				24	00
12 pairs	Mittens @ $1.50/pair				18	00
50 pairs	Socks @ $.73/pair				36	50
12 caps	@ $1.75/cap				21	00
					99	50

CASE

INVOICE

W & W FOOD SALES LTD

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO B. Duran

ADDRESS Middle Rapids VIA F.A. Transport

OUR NUMBER 33333

DATE August 1, 1971

CUSTOMER'S ORDER

SALESMAN D. Lough

TERMS 2/10 N/30

F.O.B. Store

50 lb	Coffee		1 03	51 50
50 lb	Tea		1 06	53 00
				104 50

FAB14

CASE

W & W FOOD SALES LTD

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO Bill Duran

ADDRESS Middle Rapids VIA T.A. Transport

OUR NUMBER 33337
DATE August 7, 1971
CUSTOMER'S ORDER
SALESMAN S. Lough
TERMS 2/10 N30
F.O.B. Store

2500 lb	Flour	per 100 lb.	1 00	175 00
100 lb	Salt	per 10 lb.	90	9 00
100 lb	Sugar	per 10 lb.	75	7 50
				191 50

INVOICE

INVOICE

AV WHOLESALE LTD

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO Bill Duran

ADDRESS Middle Rapids VIA T.A. Transport

OUR NUMBER 33322
DATE August 7, 1971
CUSTOMER'S ORDER
SALESMAN B. Fallon
TERMS E.O.M.
F.O.B. Store

8 pairs	Boots @ $11.07/pair			88	56
8 pairs	Shoes @ $10.35/pair			82	80
				171	36

FAB14

INVOICE

CENTRAL SALES LTD

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO Bill Duran

ADDRESS Middle Rapids VIA F. A. Transport

OUR NUMBER 33332

DATE August 7, 1971

CUSTOMER'S ORDER

SALESMAN S. Bales

TERMS 10th & 25th

F.O.B. Warehouse

25 rolls	Wrapping Paper	2	00	50	00
4/500	Paper Bags	1	10	4	40
				54	40

CASE

FAB14

INVOICE

A & B MEATS

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO B. Duran

ADDRESS Middle Rapids VIA F.A. Transport

OUR NUMBER 33341

DATE August 8, 1971

CUSTOMER'S ORDER

SALESMAN T. Tibbs

TERMS N30

F.O.B. Loading Dock

20 lbs	Sandwich Meats		0	43	8	60

FAB14

CASE

INVOICE

CENTRAL SALES LTD

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO B. Duran

ADDRESS Middle Rapids VIA F.A. Trans.

OUR NUMBER 33336

DATE August 13, 1971

CUSTOMER'S ORDER

SALESMAN S. Bales

TERMS 10th & 25th

F.O.B. Warehouse.

5	Wrenches #15	2	99	14	95
10	Screw Drivers #25	1	99	19	90
10	Hammers #5	2	06	20	60
				55	45

FAB14

W & W FOOD SALES LTD

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO Bill Duron

ADDRESS Middle Rapids VIA J.A. Transport

OUR NUMBER 33339

DATE August 13, 1971

CUSTOMER'S ORDER

SALESMAN D. Lough

TERMS 2/10 N30

F.O.B. Store

5 cases	Vegetable Soup	3 60	18 00
5 cases	Tomato Soup	3 60	18 00
5 cases	Pork and Beans	4 20	21 00
6 cartons	Cigarettes	3 91	23 46
			80 46

INVOICE

FAB14

INVOICE

AV WHOLESALE LTD

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO B. Duran

ADDRESS Middle Rapids VIA J.A. Transport

OUR NUMBER 33326
DATE August 15, 1971
CUSTOMER'S ORDER
SALESMAN B. Fallon
TERMS E.O.M.
F.O.B. Store

10	Work Shirts	4	05	40	50
10	Work Shirts	7	07	70	70
5	Dress Shirts	6	15	30	75
5	Dress Pants	8	25	41	25
				182	20

CASE

FAB14

INVOICE

A & B MEATS

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO B. Duran

ADDRESS Middle Rapids VIA T.A. Transport

OUR NUMBER 33346

DATE August 20, 1971

CUSTOMER'S ORDER

SALESMAN T. Tibbs

TERMS N.30

F.O.B. Loading Dock

50 lb.	Bologna	0 53	26 50

FAB14

INVOICE

A & B MEATS

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO Bill Duran

ADDRESS Middle Rapids VIA J. A. Transport

OUR NUMBER 33348

DATE August 23, 1971

CUSTOMER'S ORDER

SALESMAN T. Tibbs

TERMS N30

F.O.B. Loading Dock

100 lbs	Bacon	0 56	56 00

CASE

INVOICE

CENTRAL SALES LTD

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO Bill Doran

ADDRESS Middle Rapids VIA F.A. Trans

OUR NUMBER 33338

DATE August 28, 1971

CUSTOMER'S ORDER

SALESMAN S. Bales

TERMS 10th & 25th

F.O.B. Warehouse

150 lbs	nails #3	—	20	30	00
100 lbs	screws #1	—	23	23	00
				53	00

INVOICE

A & B MEATS

SOLD TO Middle Rapids Trading and General Store

SHIPPED TO Bill Duran

ADDRESS Middle Rapids VIA F.A. Transport

OUR NUMBER 33350

DATE August 29, 1971

CUSTOMER'S ORDER

SALESMAN T. Tibbs

TERMS N30

F.O.B. Loading Dock

100 lb	Neckbones	-	25	25	00

CASE

Training Research And Development Station
Department Of Manpower And Immigration